FINANCIAL TIMES

World Business Newspaper

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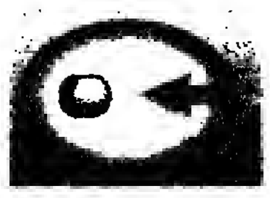

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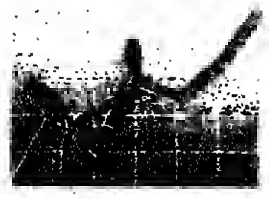

On the march

Emerging markets back in favour

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Thomson to pay $3.43bn for US legal publisher

Purchase of West Publishing is group's biggest acquisition

By Bernard Simon in Toronto

Thomson Corporation, the Canadian-controlled publishing and travel group, is expanding its US legal publishing business by paying US$3.43bn in cash for Minnesota-based West Publishing. The deal is Thomson's biggest acquisition.

West, which is privately owned, is best known for its WestLaw online research service and its database of primary legal sources, such as statutes and court cases. Thomson's legal publishing services specialise mainly in analysis and other secondary information.

The purchase price, which is equal to 17 times West's profits before tax, interest and depreciation and amortisation of about US$200m in the year to July 31 1995, raised some eyebrows among analysts.

According to one analyst, publicly traded specialist publishers typically trade at 10-12 times pre-tax profits.

However, Mr Nigel Harrison, Thomson's chief financial officer, said the price was "very fair". The deal will be financed by credit lines from a group of nine banks.

West has cash reserves of about $100m. Mr Harrison estimated the purchase price at about 11.6 times projected fiscal 1996 pre-tax profits. By contrast, Wolters Kluwer, the Dutch publisher, paid 26.7 times earnings last year for CCH, a US legal and tax publisher. Reed Elsevier bought Lexis-Nexis, a US online database, for 10.7 times earnings.

Mr Harrison said West's revenues, totalling $825m in fiscal 1995, would grow 12.5 per cent in the current calendar year, 10 per cent in 1997 and about 10 per cent beyond that.

Weakening demand for print-based subscriptions is expected to be offset by growing revenues from CD-Rom business. About 54 per cent of West's 1995 revenues came from electronic services. Thomson expects to benefit from cost savings and higher margins.

Thomson declined to give details of financing arrangements. But Mr Harrison said commitments from the banking group had been lined up, and the company would be under no pressure to refinance the loans.

Thomson has been putting increased emphasis on its North American specialist publishing interests in recent years, notably in sectors such as law, tax, accounting, healthcare and financial services.

Mr Andrew Mills, head of Thomson's North American professional publishing division, will take over as West's chief executive. Mr Dwight Opperman, West's chairman and CEO, will become chairman emeritus.

In early trading, Thomson's shares fell C$⅝ to C$19⅛.

Lex, Page 14

Weakness in US bonds hits markets round the world

Weakness in the US bond market hit financial markets round the world yesterday as investors reacted to the strength of the US economy and showed nervousness ahead of substantial Treasury bond issues this week. The key 30-year Treasury bond, which fell a point on Friday, had dropped by a further half point by yesterday lunchtime in New York. The fall in bonds had an adverse impact on shares, with the Dow Jones industrial average dropping more than 50 points early in the session, triggering restrictions on programme trading. By 1pm, the Dow was still 40.82 lower at 5,589.67. Page 14; Bonds, Page 24; World stocks, Page 34

Asian airlines angry over UK noise limits: Asian airlines warned the UK government that plans to lower noise levels at London airports could lead to diplomatic clashes with Asian governments. Page 14

Turkish PM to visit Rome despite tensions: Turkey's caretaker prime minister, Tansu Çiller, decided to go ahead with a visit to Italy, which holds the presidency of the European Union, despite political confusion in Ankara. She will discuss rising tensions between Turkey and Greece. Page 2; Editorial Comment, Page 13

Steel group in Kazakhstan deal: Ispat International, the fast-growing London-based international steel group, plans to invest about $850m in a Kazakhstan steel works, the second largest in the former Soviet Union. Page 15

Shuttle satellite lost in space: A half-ton scientific satellite was lost in space after the 12-mile cord attaching it to the US space shuttle Columbia snapped. Page 4

Talks on Bremer Vulkan's future: Günter Rexrodt, Germany's economics minister, will today meet the management of Bremer Vulkan, financially-troubled shipbuilder which last week sought protection from its creditors. Page 15

Mediator criticises Sarajevo exodus: Carl Bildt, international mediator in Bosnia, attacked the Bosnian government for not doing enough to dissuade Serbs from leaving areas of Sarajevo due to come under Bosnian government control. Page 2

Georgian pipeline for Azerbaijan project: The international consortium overseeing an $8bn project to develop three offshore oil fields in Azerbaijan is expected to confirm today that it will go ahead with an export pipeline through Georgia. Page 4

Review of dismissal laws pledged: In a move to shore up votes, Australia's Labor government said it would review the country's unfair dismissal laws if it won Saturday's elections. Companies argue that the laws make for frivolous claims and say they have postponed hiring people as a result. Page 6; When policies are not the issue, Page 13

Jiang's protégé sacked: General Ba Zhongtan, commander of China's paramilitary People's Armed Police and protégé of President Jiang Zemin, was sacked. His removal is regarded as a rebuff for the president. Page 6

Seoul plans investment boost in India: South Korean companies plan to boost investment in India more than tenfold to at least $3bn over five years, according to officials accompanying South Korean president Kim Young-sam on a trip to New Delhi. Page 4

Carlsberg in Shanghai deal: Danish brewery group Carlsberg is to establish a brewery near Shanghai with a production capacity of 500,000 hectolitres a year. Page 4

Chun goes on trial: Chun Doo-hwan became the second former South Korean president in recent months to go on trial for alleged corruption, with prosecutors claiming he collected almost $300m in corporate bribes. Page 6

BAA loses Manila bid: BAA, the UK's largest operator of airports, lost its bid to construct a third terminal at Manila international airport. The contract was awarded to a consortium led by Chinese-Filipino businessmen. Page 4

Killing Fields actor shot dead: Haing Ngor, a Cambodian refugee whose Academy Award-winning performance in The Killing Fields mirrored his own ordeal of torture and survival at the hands of the Khmer Rouge, was found shot dead outside his home in Los Angeles. He was 45.

Cricket World Cup: Reigning champions Pakistan, playing in Lahore, scored 151 for two to beat The Netherlands, who made 145 for seven. In the Indian city of Patna the match between Zimbabwe and Kenya was washed out, and rescheduled for today.

STOCK MARKET INDICES

New York: lunchtime		
Dow Jones Ind Av	5,577.75	(-52.74)
NASDAQ Composite	1,113.97	(-3.82)
Europe and Far East		
CAC40	1,980.93	(-15.96)
DAX	2,442.34	(9.44)
FT-SE 100	3,704.2	(-35.1)
Nikkei	20,480.27	(+179.89)

US LUNCHTIME RATES

Federal Funds	5⅛%
3-mth Treas Bills: Yld	4.979%
Long Bond	94
Yield	6.450%

OTHER RATES

UK: 3-mo Interbank	6⅛%	(6⅝%)
UK: 10 yr Gilt	96⅞	(97⅝)
France: 10 yr OAT	103.65	(104.58)
Germany: 10 yr Bond	96.87	(97.81)
Japan: 10 yr JGB	108.287	(109.697)

NORTH SEA OIL (Argus)

Brent 15-day (Apr)	$17.885	(17.82)

GOLD

New York: Comex		
(Apr)	$400.6	(399.9)
London:		
close	$398.3	(same)

DOLLAR

New York: lunchtime		
£	1.5386	
DM	1.45	
FFr	4.9815	
SFr	1.179	
Y	104.345	
London:		
£	1.54	(1.5404)
DM	1.4471	(1.4513)
FFr	4.973	(4.986)
SFr	1.177	(1.1789)
Y	104.27	(104.875)

STERLING

DM	2.2285	(2.2355)
Tokyo close:	Y 104.80	

Albania	LEK 220	Germany	DM4.00	Lithuania	Lit 15.00	Qatar	QR13.00
Austria	Sch37	Greece	Dr400	Lux	LFr75	S.Arabia	SR12
Bahrain	Din1.250	Hong Kong	HK$30	Malta	Lm0.85	Singapore	S$4.30
Belgium	BFr75	Hungary	Ft230	Morocco	MDh16	Slovak Rp	Sk65
Bulgaria	Lw130.00	Iceland	IKr250	Neth	Fl 4.75	S. Africa	R12.00
Cyprus	C£1.20	India	Rs75	Nigeria	Naira90	Spain	Pta250
Czech Rp	Kc80	Israel	Shk7.50	Norway	NKr20.00	Sweden	SKr20
Denmark	DKr18	Italy	L3200	Oman	OR1.50	Switz	SFr3.70
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Syria	S£65.00
Estonia	EKr 22	Jordan	JD1.50	Poland	Zl 5.50	Tunisia	Din1.750
Finland	FM15.50	Kuwait	Fils.650	Portugal (mainland)		Turkey	L70,000
France	FFr11.50	Lebanon	LL3000		Es240	UAE	Dh12.00

US offers full access to telecoms market

By Frances Williams in Geneva

The US yesterday offered to open its entire telecommunications market, including local services, to unrestricted foreign competition in a bid to accelerate progress towards a global telecoms deal.

However, Mr Jeffrey Lang, deputy US trade representative, said success in the World Trade Organisation negotiations, due to end on April 30, required other nations to follow the US example with improved offers of their own.

Some 34 countries – the 15-member European Union counting as one – are taking part in the talks but only 19 have submitted offers ahead of this week's high-level bargaining session in Geneva.

The revised US offer grants unrestricted access to local US telecoms services, as well as long-distance and international traffic.

The previous offer proposed only to maintain existing access rules for local services, which vary from state to state.

Mr Lang said the change signalled Washington's intention to "roll back" current restrictions on competition at the local level, in line with the new US telecoms law signed by President Bill Clinton this month.

The far-reaching US legislation tears down regulatory barriers between telephone, cable and television services and requires local telecoms companies to open their networks to competitors.

The US offer would extend this open market to foreign business.

The revised US offer also clarifies proposals on foreign ownership of "common carrier" radio licences often needed to supply basic telecoms services.

Washington is offering up to 100 per cent foreign ownership of these licences, provided ownership or control is exercised through a US-based holding company.

Mr Lang stressed yesterday that the offer was contingent on agreement by a "critical mass" of WTO members to grant foreign access to their telecoms markets and to give overseas competitors equal treatment with domestic firms.

The US has not defined this "critical mass" but it is said to have Japan and a number of south-east Asian and Latin American nations in its sights.

The offer also depended on reaching accord on pro-competitive regulatory disciplines, Mr Lang said. These rules would restrain dominant operators from abusing their market power and network ownership to squeeze new entrants.

Drafting these pro-competitive rules has proved complex, prompting some countries to suggest informally that the deadline for the talks be extended.

However, US officials have said they want the talks to conclude on time, and there have been hints that Washington might prefer even a partial deal – for instance, excluding international business – to a delay.

Gunning for votes: Republican presidential candidate Pat Buchanan holding aloft a rifle while campaigning at the Crossroads of the West gun show in Phoenix, ahead of today's primary in Arizona. Jobs aren't being sucked down Mexico way, Page 7

Picture: Reuter

Japan may alter loan bail-out plan

By Gerard Baker in Tokyo

Japan's cabinet is considering changing a plan to spend public money on bailing out bankrupt housing loan companies, in the first sign of a climbdown in the face of public hostility.

Mr Wataru Kubo, finance minister, said the government might force the banks that founded the companies to contribute more towards their liquidation.

"I have repeatedly urged the founder-banks to take greater social responsibility because they cannot get away from the problem merely by abandoning their loans," he said.

Mr Kubo's words echoed remarks by cabinet ministers at the weekend hinting that the banks might have to take on a greater share of the losses under the plan, which must be approved by parliament in the next month. Officials made clear yesterday that any extra burden to be carried by the banks would not affect the plans for an immediate allocation of Y685bn ($6.53bn) in public funds towards the first phase of the bail-out.

A government review of the plan would instead focus on the as yet unquantified sum of money to be donated from the public purse in the disposal of additional losses.

Seven housing loan companies, or jusen, founded by the country's leading banks, are virtually bankrupt with bad loans of at least Y6,400bn because of reckless property-related lending in the period of soaring land prices in the late 1980s.

Following a failure at the end of last year to agree on a distribution of losses among the creditors, mainly banks and agricultural co-operatives, the government promised to allocate public funds to complete the disposal of the bad loans.

The present, highly unpopular liquidation plan, is in two parts. In the first round, the banks that founded the jusen will write off Y3,500bn. Non-founder banks will lose Y1,700bn and the agricultural co-ops will write off Y530bn. The government will cover the remaining Y685bn with an appropriation from its 1996-97 budget.

But the finance ministry says this will still leave at least another Y1,200bn in probable, but as yet unidentified, losses. Of the amount, banks and the government are to contribute half

Continued on Page 14

Arafat orders 60 arrests after bombings in Israel

By Julian Ozanne in Jerusalem

Mr Yassir Arafat, the Palestinian president, yesterday ordered the arrest of at least 60 activists of Hamas, the group responsible for Sunday's bombings in which 27 people died.

The bombings of a Jerusalem commuter bus and a soldiers' hitch-hiking post in southern Israel has increased pressure on Mr Arafat to crack down on Islamic extremists.

The arrests mark Mr Arafat's growing concern about the impact of Palestinian terrorist attacks on the electoral chances of Mr Shimon Peres, the Israeli prime minister, who has called early elections on May 29 on a platform of making peace with Arabs.

The first poll to be taken since the attacks showed a sharp fall yesterday in Mr Peres' lead over Mr Benjamin Netanyahu, the rightwing opposition Likud leader

His lead, which last Friday stood at 15 points, had narrowed to three points. The poll conducted by Dahaf, an independent polling organisation, was published in yesterday's Yediot Ahronot newspaper and showed 46 per cent of Israelis supporting Labour's Mr Peres, 43 per cent for Mr Netanyahu of Likud, and 5 per cent for Mr David Levy, of the newly-formed Gesher party.

Although pollsters and government officials warned that the polls, taken in the emotional heat of the moment, exaggerated the public mood, they agreed that in security-conscious Israel more attacks could spell disaster for Mr Peres and his Labour-led coalition government, which has forged the Arab-Israeli peace process since 1992.

The heightened tension was illustrated when a Palestinian American was shot dead by bystanders after his car crashed into a bus stop, killing one Israeli and injuring 22 people. Police said the incident had been a traffic accident not an attack.

Mr Peres vowed that Israel would fight an all-out war against Hamas but would continue with peace efforts with Mr Arafat. He said the government had presented Mr Arafat with a list of "operational demands" to combat Islamic extremists.

Security officials said the demands included a list of names of Islamic guerrillas involved in attacks who were hiding in Palestinian self-ruled areas.

Newspaper editorials yesterday called for a permanent closure of the borders between Israel and the Gaza Strip and West Bank until Mr Arafat demonstrated more affective measures against extremists.

A previous 10-day closure was lifted on Friday, two days before the bombings. The US also accused Mr Arafat of not doing enough to curb Palestinian "terror".

Palestinian officials, however, said the Palestinian authority was in no position to launch a full-scala war against Hamas, which is supported by up to 15 per cent of the Palestinian people.

CONTENTS

NEWS: EUROPE

Turkey's PM Çiller keeps rival waiting

By John Barham in Istanbul

Mrs Tansu Çiller, Turkey's caretaker prime minister, decided yesterday to go ahead with a visit to Rome to meet her Italian counterpart, Mr Lamberto Dini, in spite of deepening political confusion in Ankara.

Her decision not to cancel the two-day trip – she is expected to discuss rising tensions between Turkey and Greece with the Italian EU presidency - underlined her growing confidence after her arch-rival Mr Mesut Yilmaz, leader of the centre-right Motherland party, failed to clinch a coalition deal at the weekend with the Islamist Refah party.

Mrs Çiller seems intent on asserting her authority by making Mr Yilmaz wait until tomorrow to see her. But before leaving for Rome she said: "We will do whatever we can to form this [coalition] government."

It will now be difficult for Mr Yilmaz to insist on his terms in the hard bargaining ahead with Mrs Çiller. Not only did he fail to from a a government with Refah, but public opinion, particularly among Motherland voters, swung sharply against him during talks with Refah. He had promised during the elections not to form an alliance with the Islamists. Some Motherland supporters even demonstrated in Ankara carrying signs reading "We want our votes back".

Although both Motherland and True Path share a pro-western, secular and free market outlook, they have never been able to co-operate, mainly because of the depth of ill feeling between Mrs Çiller and Mr Yilmaz. During last year's election campaign they often reserved their worst insults for each other, with Mrs Çiller calling Mr Yilmaz a coward and him telling her to get "back into the kitchen."

Mr Yilmaz had two basic demands in previous coalition talks with Mrs Çiller. He wanted to take over as prime minister and he wanted his own highly regarded economic team to control the treasury, central bank and finance ministry. He claimed that Motherland was entitled to this because it took won more votes than True Path – though it won only 133 seats, two fewer than True Path – in the December general elections.

The two then compromised on rotating the premiership, but coalition talks collapsed because Mrs Çiller insisted on serving as prime minister first. Both calculate that they could discredit their rival during their term as prime minister and so lay claim to leadership of the centre-right, which represents about half the Turkish electorate.

However, pressure from the business world, the media and from President Süleyman Demirel on both leaders to set aside their personal rivalries and compromise will probably grow stronger in the coming days. They point out that Turkey has been adrift since Mrs Çiller's previous government collapsed in September, and fear that Refah, which emerged as the largest party in the elections, will only grow stronger.

Editorial comment, Page 13

Çiller: visiting Rome

Demirel: applying pressure

Yilmaz: talks failed

UK blocks EU formula on Greece-Turkey dispute

By Caroline Southey in Brussels

Britain last night blocked a compromise formula on European Union policy towards Greece and Turkey on the grounds that it could reopen negotiations over credits earlier promised to Ankara.

The deadlock meant that yesterday's EU foreign ministers' meeting ended with a statement issued by the Italian presidency alone rather than by all 15 EU foreign ministers.

The failure to reach a common position was likely to strengthen doubts about the EU's ability to formulate a coherent external policy. US officials have deplored the Union's inability to act effectively in the Balkans.

The presidency, in a difficult balancing act, had invited fellow EU members to endorse a statement that opposed the use of force in the Aegean, supported legal arbitration of disputes and also reaffirmed last year's Turkey-EU agreements.

However, Britain objected to the statement because it called for a "clarification" of the EU's commitments to Turkey – a formula which could imply reopening talks on a credit package, linked to the Turkish-EU customs union, worth Ecu375m ($470m).

Greece served notice last week that because of recent disputes in the Aegean it was seeking the postponement of a final decision on a five-year aid package for Turkey. Ankara's immediate response was to recall its ambassador from Athens.

Yesterday's meeting began with broad endorsement of the Greek position that disagreements in the Aegean should be settled by peaceful means alone, and where necessary by the international court of justice at The Hague. Turkey wants bilateral negotiations with Greece.

However, disagreements emerged over the precise terms in which the ministers would recommit themselves to promises to Turkey. The presidency statement said details of a Turkish-EU financial package would be put in place as soon as a new Turkish government was appointed.

Greek officials hailed the "constructive attitude" which EU colleagues had shown towards Mr Theodoros Pangalos, their foreign minister.

Greek officials said they would have been happy if the 15 members had been able to reach consensus on a policy statement, but one official noted: "The fact that the statement came from the presidency alone means that it is not binding on Greece either."

Mrs Susanna Agnelli, the Italian foreign minister, said that Greece had confirmed its commitment of principle to the EU's agreement with Turkey, but that Athens expected Ankara "not to make a declaration of war".

Paris takes aim at hypermarkets

By Andrew Jack in Paris

Nine years ago, the French government under prime minister Jacques Chirac introduced legislation to transform the country's economic system, removing price controls and freeing competition.

Yesterday, under President Chirac, it unveiled a new draft law designed to backtrack on what it believes are the worst excesses and distortions created by this 1986 legislation.

The proposals announced by Mr Yves Galland, junior minister for finance and foreign trade, will provide new powers to prevent predatory or "abusively low pricing" and permit suppliers to refuse to supply supermarkets with goods at short notice – which the law currently forbids them to do.

In November, the prime minister, Mr Alain Juppé, launched measures to help small and medium-sized business. One target was to stop the encroachment of large out-of-town retail stores by making planning permission harder to obtain.

The second line of attack, clarified yesterday, was to attack the perceived imbalance in power between large supermarkets, their suppliers, and their smaller retail competitors.

The government encouraged development of hypermarkets and large retail centres in the 1970s and 1980s to foster competition as part of its struggle in control inflation.

Now, officials argue that inflation has been mastered, and that other priorities – including preserving jobs – are more important. They believe the balance of power has tilted too far in favour of supermarkets, threatening small-scale commerce.

There were sharply divided reactions to yesterday's proposals. Big retailers claimed they would raise prices, while a number of shopkeepers and farmers believed they did not go far enough in restoring the balance of power.

One concern expressed by the business sector more generally was that, following a recent ruling from the Conseil d'Etat, the country's most senior administrative tribunal, state-owned monopolies will be excluded from the tougher conditions stated in the law.

A second concern is the enforcement of the new law, given the relative lack of punch exerted up till now by the French regulator – the Conseil de Concurrence – set up in 1987 to prevent abuses to the 1986 law, and the fact that even its enhanced fines are still relatively modest at a maximum of FFr500,000 ($98,000).

Perhaps a more fundamental question is how easy it will be to justify "abusively low pricing". The government is using the simple benchmark of any product sold at less than its cost. Businesses are less convinced of how fair such a definition is.

Bildt critical of Sarajevo exodus

By Caroline Southey

Mr Carl Bildt, the international mediator in Bosnia, yesterday attacked the Bosnian government for failing to do enough to dissuade Serbs from leaving areas of Sarajevo due to come under Bosnian government control.

Mr Bildt was speaking after meeting EU foreign ministers. He said he warned the 15 ministers that reconstruction aid was much too slow in coming, despite a pledge by donors last December that $500m would be paid out in the near future.

He said it was "very, very important" that there be "visible action on the ground" to consolidate the peace process, warning that the army of demobilised soldiers could be turned into an "army of unemployed".

Mr Bildt warned that the spectre of Serbs fleeing Sarajevo was undermining the re-integration of the ethnically torn country.

"The international community wanted to see a multi-ethnic country but what we are seeing now is an ethnically divided country."

He added that the exodus could also affect plans to help refugees return to the former Yugoslavia. "We had a problem of refugees from the war and now we are also faced with the problem of refugees from the peace," he said.

Mr Bildt said he had expected "greater effort on the part of the Bosnian government to reach out and ask them [the Serbs] to stay. More should have been done".

He added that he had been urging the Bosnian government to do "more confidence building with the Serbs".

He predicted some refugees would return to Sarajevo but said this would depend on the Bosnian government's actions.

Mr Bildt's outspoken comments came hours after the resignation of Mr Hans Koschnick, the EU's administrator in Mostar. Mr Koschnick, who handed in his resignation to EU foreign ministers, said he would "remain available until a new administrator was found" but he hoped the EU would find a replacement before the next meeting of foreign ministers in four weeks' time.

The foreign ministers expressed full support for Mr Koschnick, and they agreed to consider a request from Mostar's authorities to extend the mandate for the EU's administrator for a further six months.

Mr Koschnick's efforts to reunite Mostar have been harshly criticised by the Croats, who control the city's western sector and besieged the Moslem-dominated eastern sector in 1993.

Croats responded to the initial version of Mr Koschnick's reunification plan, which in their view would have given the Moslems de facto control of the city, by rioting as well as stoning and firing at his car.

However the central zone of the reunified city has now been reduced sharply in response to Croat demands. Mr Koschnick's resignation prompted speculation that he was unhappy about the number of concessions made to the Croats.

But he insisted that he was stepping down at a good moment, when freedom of movement across the ethnic dividing line had been restored.

Banker set for Budapest finance post

By Virginia Marsh in Budapest

Mr Peter Medgyessy, a 53-year-old banker and a former communist-era deputy prime minister, yesterday looked set to become Hungary's finance minister after both the governing Socialist party and the Free Democrats, the liberal junior coalition partner, backed his nomination.

Mr Medgyessy will replace Mr Lajos Bokros, the government's leading reformer, who resigned on February 18 after the cabinet rejected measures to cut this year's social security deficit to levels agreed with the International Monetary Fund.

The Budapest Stock Exchange – which lost 5 per cent last Monday after Mr Bokros' resignation – soared on the news. The BUX index rose 122 points or 5.8 per cent to close at 2,224.

Analysts said the nomination of Mr Medgyessy, who has a track record as a reformer but maintains ties with leading Socialists, had reassured the markets that the reforms initiated by Mr Bokros would continue. While he is less radical than Mr Bokros, Mr Medgyessy's background in public administration and finance and his negotiating skills might make structural reforms more acceptable to the Socialist-led cabinet.

The IMF is due to decide on a new stand-by loan for Hungary next month – a prerequisite for the country's membership of the Organisation for Economic Co-operation and Development.

Mr Medgyessy, a career civil servant, served as finance minister between 1987 and 1988, before becoming deputy prime minister in the last communist-era administration, the reformist government of Mr Miklos Nemeth, who is now a vice-president of the European Bank for Reconstruction and Development.

In 1990 Mr Medgyessy became head of Banque Paribas' Hungarian operation but left after the Socialists' victory in the 1994 elections to become chief executive of the Hungarian Bank for Investment and Development, a state bank set up in 1991 to help restructure state industry and support infrastructure development.

'Paddy network' wires up world's computers

At home and abroad, everyone wants the highly skilled Irish, reports John Murray Brown

Irish officials could be forgiven for feeling a little peeved over a recent jobs advertisement in the Irish Times.

As foreign electronics companies are investing in Ireland in record numbers, even luring Irish expatriates home, Singapore Technologies is trying to hire local engineers and managers to start a semiconductor factory in south-east Asia.

The advertisement reflects how far Ireland's electronics industry has come. Since 1980 Ireland has attracted a staggering 40 per cent of all US new inward investment in electronics in Europe, including wafer design and manufacture, systems, components, peripherals, communications networks and software.

In 1995 alone, the Industrial Development Agency, the government's foreign investment board, which provides investment subsidies as part of Ireland's efforts to attract the fast-expanding world electronics sector, negotiated 22 greenfield and expansion projects in the sector. One of these is Intel's $1.5bn plan to make the P14, the new generation pentium chip for the personal computer market.

Irish officials say Ireland is well placed to take advantage of the rapid growth in the semiconductor market, where demand is increasing annually by 30 per cent. The country's low 10 per cent corporation tax for manufacturing companies is often cited as the main attraction. But the availability of skills is also critical, particularly in electronics, which accounted for about 60 per cent of jobs created by foreign investment in 1995.

In 1995, 57 per cent of the 16,000 new university students intended to study sciences – compared with 38 per cent for the liberal arts, and around 5 per cent for the professions.

Ireland has a higher proportion of graduates with scientific skills in the 25-34 age group than any other OECD member except Japan. This is despite emigration which, though slowing, was still running at 39,500 people in 1995, compared with 70,000 in 1989.

Even so, strong demand means there are labour shortages in some areas such as software writing.

In the 1970s Siemens, the German electronics group, and other European companies identified Ireland as a source of skilled labour, and recruited heavily in Irish universities. Now it is happening again.

"For new graduates it'a a sellers' market," says Mr Liam Cahill, public relations director of Intel for Ireland, the world's largest chipmaker.

Intel and other multinational companies have liaison officers working directly with the universities, trying to help shape the research curriculum and spot the brightest graduates.

Mr Cahill says the company certainly could not have made its P14 investment unless it thought the education system could meet the needs.

Siemens is now recruiting in Ireland for its £1.1bn ($1.7bn) plant on Tyneside in the north of England – all the more galling for the IDA, as it put in a bid for the plant, and further evidence of the fierce international competition for this type of investment.

Prof Michael Ryan of the Dublin City University, says: "Traditionally we overproduced graduates. We lost about 50 per cent of our graduates through emigration. But the new investment is creating opportunities to come home."

Nobody knows exactly how many return home. But when Intel announced plans for its first plant in 1990, the company relied on local hirings for 90 per cent of its workforce. The rest, many for more skilled or managerial postings, were from the Irish overseas.

"The Paddy network is unbelievable. We have people in Birmingham, Boston and New York who will come home as soon they hear there'a a job," says Mr Ruairi Quinn, Ireland's finance minister.

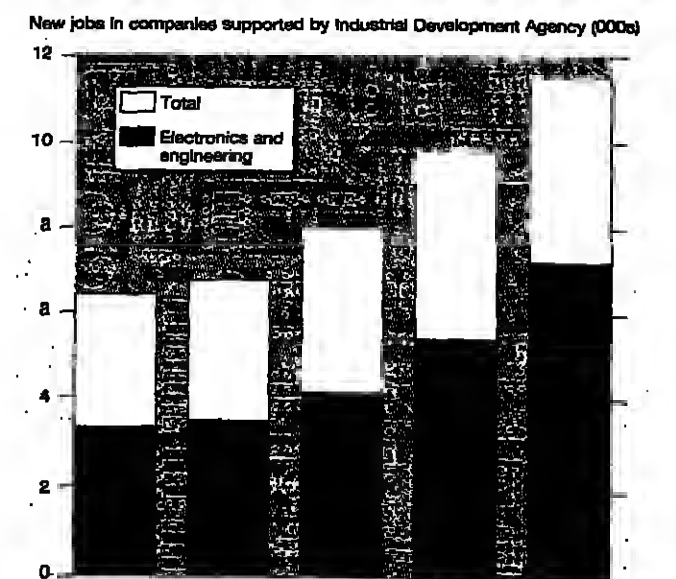
The Bolton Trust, a semi-state charity set up in 1989 to stem the brain drain, conducts an annual census of those arriving at Ireland'a main airports over Christmas to create a database of overseas Irish talent. Multinationals are now using the Internet to tap this Irish diaspora.

Ironically the advertisement placed by Singapore Technologies was co-sponsored by FAS, the government-run Irish training board, with which the company has been working on a programme to secure positions for university leavers seeking work experience overseas.

Mr Philip Mullaly, the FAS programme director, is clearly a little embarrassed by the controversy it has aroused. But he says: "Even if they don't come back, we have this network of Irish people in these strategic industries. What's important is we're building up business contacts."

Ireland's electronics industry: growing apace

New jobs in companies supported by Industrial Development Agency (000s)



Source: IDA

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EUROPEAN NEWS DIGEST

EU directive on derivatives

The European Union's Council of Ministers has adopted a directive reducing the capital and solvency requirements for over-the-counter derivatives instruments.

The directive on contractual netting affects capital and solvency requirements on OTC derivatives, instruments traded between individual counterparties rather than on organised exchanges, and brings European legislation into line with rules already approved by the Basle Committee, the banking supervision committee of the Bank for International Settlements.

"The new rules should encourage the wider use of netting arrangements between banks and investment firms, thus reducing credit and consequently systemic risk in derivatives markets," said Mr Mario Monti, the EU's financial services commissioner.

Bilateral netting agreements reduce credit risk by the offsetting of mutual claims and liabilities from pending OTC derivative contracts such as interest rate, foreign exchange-related swaps, options and forward contracts.

"The directive allows EU credit institutions to compete on equal terms with their counterparts from other countries while ensuring reduced but more realistic capital requirements for the credit risks inherent in OTC derivative instruments," added Mr Monti.

The directive, which EU governments must now implement by June 30, amends the EU's existing solvency ratio directive. In the absence of the new directive, EU credit institutions would have to respect higher capital requirements than competitors from non-EU countries. *Richard Lapper, London*

Protection plan for databases

European Union states were last night poised to adopt a framework for the legal protection of databases aimed at combating piracy and the unauthorised use of information.

The new law is geared to protect database creators as well as investors and to harmonise widely different legal systems throughout Europe. Only the UK and Ireland currently offer full copyright protection on all databases.

The directive creates a new *sui generis* right for database creators which will be valid for 15 years to protect their investment of time, money and effort, regardless of whether the database is in itself innovative. It will also harmonise copyright law applicable to the structure of databases. The legislation is viewed as an essential step towards creating the right conditions for development of the information society.

The Commission and member states believe it will ensure an attractive environment for investment while safeguarding users' interests. *Emma Tucker, Brussels*

Albania condemns car-bombing

Albanian President Sali Berisha yesterday condemned a car-bomb blast which killed four people and injured 30, and blamed the former secret police for the first act of political violence since the fall of communism in 1990.

Mr Berisha vowed that police and security forces would take swift action against those behind the attack. "This is the most terrible terrorist act. This is a fascist act organised by the forces of the former secret police," he told Albanian radio. The car-bomb, thought to have contained 50kg of explosives, was parked outside a store owned by one of Albania's biggest concerns, Vefa Holdings.

Mr Berisha called an emergency meeting with senior officials and security chiefs to discuss the bombing. The cabinet offered the equivalent of $50,000 for information leading to the arrest of the bombers.

Mr Berisha's ruling Democratic party has often pointed the finger at former agents of the communist Sigurimi secret police, accusing them of attempting to raise tension in the impoverished Balkan nation. The Sigurimi was disbanded in 1990 after a popular uprising toppled 40 years of hardline Stalinist rule. *Reuter, Tirana*

Russian pull-out from Ingushetia

Russian forces yesterday withdrew from Ingushetia, after the local government criticised Moscow for allowing the 14-month war in Chechnya to spill over into neighbouring regions.

Last week, Russian troops surrounded two Ingush villages, Arshty and Galashki, and subjected them to sustained artillery fire which the local authorities said killed six villagers. Russian military officials said they were targeting Chechen separatists who had taken refuge in the area, but the local government warned that the attack threatened to drag Ingushetia, which has close ethnic and historical ties with Chechnya, into the conflict.

President Boris Yeltsin, who is seeking re-election in June, has promised to resolve the conflict over the next few months and has appointed a government commission to produce a peace plan for the region. *Chrystia Freeland, Moscow*

Belgium to invest more in rail

Belgian state railways (SNCB) will invest BFr100bn ($3.35bn) in rolling stock in the next 10 years, Mr Michel Damar, chairman, said yesterday.

Mr Damar said BFr90bn would be invested in new wagons and locomotives and BFr10bn in the modernisation of current rolling stock. Mr Damar said that the investment programme would cut the average age of SNCB's rolling stock to 20 years from 35.

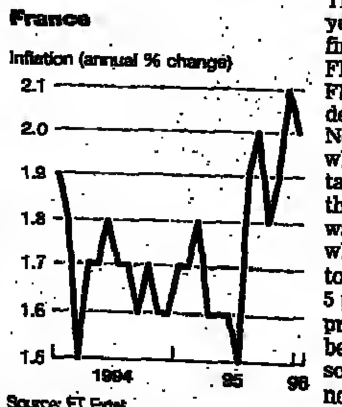
Mr Etienne Schouppe, SNCB managing director, said that investment in SNCB up to the year 2005, which was approved by the Belgian government earlier this month, was BFr370bn. Of this, BFr254bn will be used for the Belgian network, BFr80bn to integrate Belgium into the high-speed TGV network in Europe and BFr36bn to operate both. SNCB's 10-year restructuring and investment plan aims to make the company profitable again by the year 2005. *Reuter, Brussels*

ECONOMIC WATCH

France relieved at final deficit

France

Inflation (annual % change)



Source: FT Extel

The French government yesterday announced a finalised 1995 budget deficit of FFr323bn ($64bn), only FFr1.4bn more than its target, despite the strikes in November and December which cost it FFr13bn in lost tax revenue. Mr Jean Arthuis, the finance minister, said it was too early to judge whether the target of keeping total public deficits to within 5 per cent of gross domestic product had been met, because final figures for the social security deficit were not yet available. The government is aiming at progressive deficit reductions from 5 per cent of GDP last year, 4 per cent this year and 3 per cent in 1997, the year in which France hopes to qualify for monetary union.

Last year's tax receipt shortfall was offset by the cancellation and postponement of the same amount of spending credits for ministries. Mr Alain Lamassoure, the budget minister, praised the fact that budget spending rose only 2 per cent last year, the lowest increase for five years. The Insee statistics agency yesterday reported a 0.3 per cent consumer price rise in January over December's level, leaving the annual inflation unchanged at 2 per cent. The agency also announced that spending on consumer durables last month bounced back with a 5.1 per cent increase, after December's 0.8 per cent decline. *David Buchan, Paris*

■ Sweden's current account for December showed a surplus of SKr500m ($78m) compared with SKr3.4bn in November and a deficit of SKr1.0bn in December 1994.

Carmakers in EU battle for Polish sales

By Kevin Done, East Europe Correspondent

Poland's 1996 duty-free import quota for nearly 37,000 cars from the European Union has been used up in less than two months.

In a hectic scramble carmakers from Europe, the US and Japan have vied to increase their share of the quota by exploiting a change in import regulations last year.

The rush to acquire import licences has severely distorted the Polish new car market, the biggest in central Europe, during the first two months of the year. Industry figures show sales in January up by 50 per cent year-on-year to 29,688 from 19,798 a year ago.

According to sales figures collected from carmakers operating in the Polish market, sales of locally produced cars in January rose by only 1.4 per ceot to 15,634, while sales of imported cars more than tripled to 14,054 from 4,374 a year ago.

Privately, carmakers insist at the figures are misleading, with some manufacturers reporting only retail sales while others have mixed both retail and wholesale deliveries. "If you drive around Poland right now there are all sorts of imported cars sitting on dealer forecourts and in storage compounds. There is no way that all these cars have been sold to final customers," said a senior executive from one western carmaker.

Poland currently charges a 35 per cent duty on cars imported from the EU outside the duty-free quota in addition to the general 3 per cent duty on imported goods.

The protective duty is being reduced in steps to zero per cent in 2002.

The duty-free quota is allocated in tranches of 400 licences at a time. In previous years carmakers had to show the Polish authorities an invoice signed by the final retail customer in order to gain a duty-free import licence, but last year the system was changed to require only a dealer invoice.

"Before, the quota was allocated as fast as you could retail the cars," said one leading car importer yesterday, "now it depends on how fast yon can wholesale them, and that is much easier."

POLAND – New Car Market January-December 1995

	Volume (Units)	Volume Change(%)	Share (%) Jan-Dec 95	Share (%) Jan-Dec 94
TOTAL MARKET	263,881	+6.1	100.0	100.0
MANUFACTURERS:				
Fiat group*	134,579	+3.2	51.0	52.0
FSO	68,993	–17.9	26.1	33.5
Volkswagen group*	14,506	+140.9	5.5	2.4
– Skoda	8,046	+308.8	3.0	0.8
– Volkswagen	3,641	+63.7	1.4	0.9
– Seat	2,670	+59.3	1.0	0.7
General Motors*	12,525	+113.4	4.7	2.3
– Opel	12,460	+113.1	4.7	2.3
Renault	8,012	+46.6	3.0	2.2
PSA Peugeot Citroen	5,619	+9.9	2.1	2.0
Ford group*	3,897	–19.9	1.5	1.9
Daewoo	3,593	+116.1	1.4	0.7
Toyota	2,961	+45.1	1.1	0.8
Honda	2,283	+81.2	0.9	0.5
Tavria	1,990	+3331.0	0.8	0.0
Hyundai	1,320	+107.5	0.5	0.3

*Fiat group includes Alfa Romeo and Lancia, VW group includes Audi, GM includes Saab, and Ford includes Jaguar.

Source : Automotive Industry Data.

Spanish finance minister gets political

SPANISH ELECTIONS

March 3

The lobby of the Benidorm hotel is full of aenior citizena wearing shorts or light frocks, in the exaggerated manner of people escaping winter in the UK or the Netherlands. When a posse in jackets and ties arrives, headed by Mr Pedro Solbes, Spain's economy and finance minister, there is much discussion about who he is. Someone asks if there is a wedding, and is disappointed to find that Socialist party activists are meeting over lunch to prepare for the last week of the election campaign.

For the first time in his life, Mr Solbes is electiooeeriog – an act that must seem to him like stepping on a raft just as it is sinking. The man who has been in charge of steering Spain's economy since the 1993 recession is running for parliament, heading the Socialist effort in his home province of Alicante.

This was Socialist territory in the 1980s, but the ceotre-right Popular party (PP) has increasingly taken over in town councils like Benidorm's.

Spain's chief backer of European monetary union and dogged pursuer of budget controls, Mr Solbes now finds bimself campaigning against the hudget-cutting plans of the PP. Later the same afternoon he is at a rally down the coast at La Vila Joiosa, outside a school in an area of cheap flats overlooking a lemon grove. This is still a place under Socialist control, but barely 300 people turn up.

The topics here are not the Euro, but edncation and healthcare. Mr Solbes, 53, a professorial figure, has been learning fast as an orator. A model of society is at stake, he says. The PP, he warns, has "elements of the extreme right". It is not saying what it really thinks. And its economic sums do not add up.

Other former finance ministers of his standing might look to jobs in banking or international institutions. But, after a sometimes difficult time as an independent he is heading to be an opposition MP instead – if, as expected, the Socialists lose.

In the evening, at Torrevieja in the south of the province, his PP opponent Mr Federico Trillo draws an audience of about 700, filling the town's theatre. The PP's chief guru on legal affairs, the caustic 43-year-old Mr Trillo has spearheaded opposition attacks on the government in parliamentary committees.

A member of the Opus Dei lay Catholic organisation, he is a powerful, rabble-rousing speaker. Spain needs to regain a sense of justice and respect for the law, he says. Anyone who genuinely feels they must support a leftwing party should vote for the Communist-led United Left (IU), not for Mr Felipe González's Socialists.

The province, Spain's fifth largest constituency, is electing 11 MPs this time, one more than in 1993. The PP expects to add in the five seats it won last time, when the left's divided vote gave the Socialists four seats and IU one.

As in many other places, PP and IU interests coincide. Earlier in the day Mr Julio Anguita, IU leader, and Mr José María Aznar, PP leader, have almost run into each other in Alicante town, the former attending a rally and the latter a birthday lunch. For the occasion, Mr Trillo appropriately gives his boss a domino set.

David White

Swedes confront a painful anniversary

Ten years on and 17,200 police leads later the Palme assassination is unsolved. Hugh Carnegy reports

When Sweden's prime minister Olof Palme was shot dead in the street 10 years ago tomorrow as he walked home late at night with his wife after a visit to the cinema, a collective sense of stunned horror spread throughout a society proud of its open, secure culture.

A decade later, the shock has subsided. Swedish ministers are more closely guarded today and violence is more common in the streets. But cabinet ministers are still to be seen on foot in the city and Sweden remains a country that enjoys a high level of security.

There is, however, one lingering aftershock that exasperates Swedes as they commemorate the murder: the fact that it has never been solved. "Even if the investigators are battling on, few believe that anyone will ever be convicted of the murder," said the newspaper Dagens Nyheter.

Palme: shot dead 10 years ago tomorrow. Police now believe that the case will never be solved

The Palme case is one of the great real-life mysteries of the times. Since the killing, no fewer than 17,200 leads and tips have been followed up by the police. Dozens of people have made false confessions. One man, petty criminal Christer Petersson, was identified as the killer by Mrs Lizbet Palme and convicted in 1989. But the case was thrown out on appeal for lack of evidence and Petersson was freed. Police, who say they still have 300 leads or tips to work through, have come up with no strong suspect since.

Mr Ingvar Carlsson, the man who succeeded Mr Palme as leader of the Social Democratic party and prime minister, has said that one of his greatest regrets as he prepares to retire next month is that the killer remains free.

Mr Palme, the man who brought Sweden's famous egalitarian, welfare system to maturity, was shot at 11.23pm on February 28, 1986 on Sveavagen, one of Stockholm's busiest streets. At the time he was strolling home with Mrs Palme after a visit to the cinema with his son Marten and Marten's girlfriend. The murderer approached from behind, tapped Mr Palme on the shoulder, hesitated and then shot the prime minister in the back before escaping.

An air of confusion has surrounded the police investigation ever since. No murder weapon has ever been found. Theories about who was responsible have swung from early confident assertions by the police that the killing was the work of a professional hitman to the belief by the 14 officers still working on the case that it was carried out by "a lone madman". Mr Hans Holmer, the early leader of the investigation, developed a belief that the murder was a conspiracy by the PKK, the militant Kurdish group fighting for independence from Turkey, because the government had recently taken steps to curb its activities in Sweden. Mr Holmer, no longer on the case, says he still suspects the organisation.

But no firm evidence was ever found and the theory has been dropped by police. Other theories included allegations that a group of extreme rightwingers within the police and security services wanted Mr Palme killed because of his perceived soft line towards the Soviet Union, then seen by the right as posing a real threat to Sweden. Again, no firm evidence has been forthcoming.

> At 11.23pm on February 28 1986 on one of Stockholm's busiest streets, Palme was strolling home from the cinema with his wife. An assassin approached from behind, tapped him on the shoulder, shot him in the back and escaped into the night

Since 1993, the police have instead concentrated on the "lone madman" theory, backed by a visit to the Federal Bureau of Investigation in the US for help in building a likely profile of the murderer. The plot theories have largely been discounted, not least because the Palmes did not decide to walk home until they left the cinema, meaning no "hitman" could have known in advance where they were going to be.

Many police still believe Christer Petersson is the culprit. He was placed at the scene by witnesses other than Mrs Palme. He could have had access to a weapon. But no clear motive has been established for Petersson beyond the tenuous assertion that he was an unstable character who craved the approval of an associate who hated Mr Palme.

Without a murder weapon, it appears the case will never be solved. Police seem to have given up hope. Mr Anders Helin, chief prosecutor, said last week the remaining leads would be followed up "not because anyone believes in them, but because it has to be done". For Swedes it is the shame that the murderer remains free that hurts today as much as the crime itself.

NEWS: INTERNATIONAL

Joint US-Italian satellite is lost in space

By Clive Cookson, Science Editor

A half-ton scientific satellite was lost in space yesterday, after the 12-mile-long string attaching it to the US space shuttle Columbia mysteriously snapped.

The failure of the Tethered Satellite System, a joint US-Italian experiment costing $443m (£290m), is a setback for Nasa, after a series of successes that were beginning to restore the US space agency's reputation.

The tethered satellite experiment had two main purposes: to test a new way of generating electricity in orbit and investigate the shuttle's ability to tow payloads through space.

The Columbia crew had unreeled the tether – a string one-tenth of an inch thick – almost to its maximum extent, when it snapped very near the point at which it was attached to the shuttle.

The break sent the round Italian-made satellite spiralling away from the shuttle, trailing its 12-mile bootlace. It is now in a high, irregular orbit hundreds of miles away from Columbia, with virtually no prospect of being retrieved.

The seven-man crew (four Americans, two Italians and one Swiss) were fortunate that the tether did not break further away from them.

In that case, the part still attached to Columbia might have whipped back and wrapped itself around their craft. As it was, they were in no danger.

When disaster struck, the satellite and tether – a thin copper wire encased in nylon and carbon fibre – were generating 3,500 volts of electricity as they swept through the Earth's magnetic field like a giant dynamo. The system was designed to generate more than 6,000 volts.

It was the prototype of a new power source for spacecraft, which have until now relied on solar panels, fuel cells or batteries.

Although the shuttle crew reported that the remaining part of the tether looked charred, Nasa officials refused to speculate on the cause of the accident and whether it was related to the electricity generation. "It would be premature to draw any judgment," said Mr Tommy Holloway, shuttle programme manager.

Despite the loss of the tethered satellite, the remainder of the 75th shuttle mission is expected to go ahead as originally planned, with scientific experiments investigating the growth of various materials away from the Earth's gravitational field.

First steps taken to revive regional community but the old problems abound, writes **Michela Wrong**

East Africa tries to rediscover co-operation

Unremarked by the outside world, an historic landmark was passed last month when the M.V. Bukoba, carrying 16 passengers from the Tanzanian port of Mwanza, steamed across Lake Victoria to dock at Kisumu on the Kenyan shore.

As incredible as it might seem for countries that are neighbours with a lake offering a natural thoroughfare, the event marked the resumption of passenger services after an 18-year break.

Regular services halted when the East African Community, under which Kenya, Tanzania and Uganda shared railways, airlines, harbours, posts and telecommunications, broke apart, destroyed by the personal antagonisms and divergent political philosophies of the leaders of the day.

Transport links were interrupted, borders closed for years, common assets seized by the countries holding them, triggering years of acrimonious negotiations.

Today the East African Community (EAC) is back on the cards again, pushed as an idea by Tanzania and Uganda, with Kenya recently – and somewhat reluctantly – joining in.

At a summit in Kampala last month Kenyan President Daniel arap Moi, regarded until then as the main obstacle to a new community, promised to end a year-long stalemate by naming an appointee to a secretariat to oversee the process from the Tanzanian town of Arusha, the old EAC headquarters.

But while few doubt the gains the region stands to make from increased co-operation, many fear a repeat of history, as the factors that sabotaged the original community – jealousy and suspicion between the individual leaders – bubble below the surface.

The International Monetary Fund has praised Tanzania's new leadership for commitment to economic reforms and elimination of corruption seen as crucial in kickstarting growth in the impoverished nation, Reuter reports from Nairobi.

An IMF delegation and Tanzanian officials were due to continue meetings yesterday on steps to revamp the economy, improve revenue collection and reduce the official deficit. An IMF-Tanzania agreement would lead to the release of $200m in a new three-year package under the soft-loan Enhanced Structural Adjustment Facility with funds ready in July.

Tanzania has a foreign debt of $7.07bn and hopes an Esaf agreement by June would open the doors for a reduction of interest on debt or debt write-off.

The original EAC was set up in 1967, building on regional structures left in place by the departing British colonialists.

Four corporations operated the railways, airlines, harbours and telecommunications and a cabinet of ministers from the three states ran an economic legislature. The three currencies were accepted as legal tender in each country.

It was regarded as one of the best examples of co-operation in Africa, but it took only 10 years to collapse.

President Julius Nyerere, Tanzania's high-minded then head of state, wanted to be free to follow his own socialist path and clashed with Kenya's pro-western capitalist then president Jomo Kenyatta. He also refused to sit at the same table as Idi Amin, Uganda's brutal dictator. Tanzania and Uganda accused Kenya of hogging the benefits of the community.

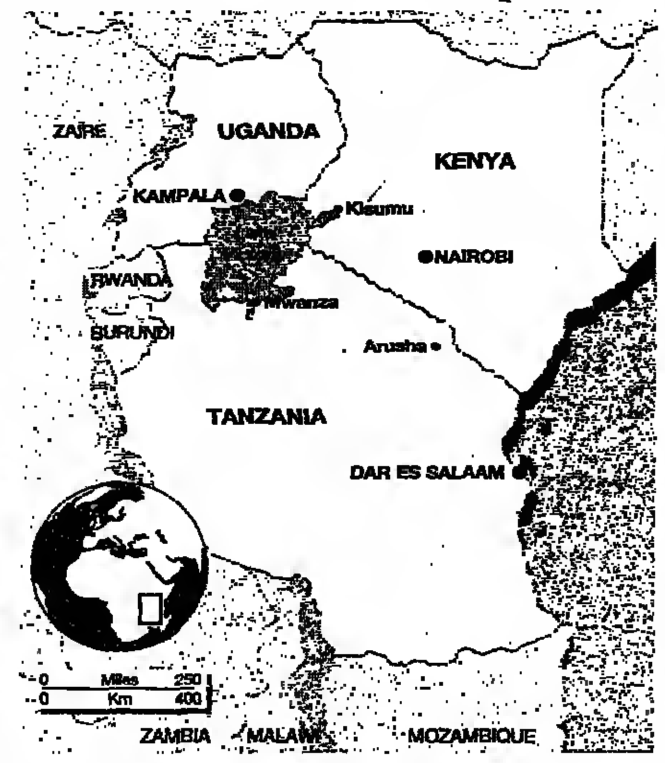
The breakup of the community, with all it implied in terms of border checks, tariffs and restrictive regulations, acted as a dampener on trade while encouraging smuggling among communities straddling the arbitrary colonial frontiers.

Cut off from its neighbours, each country found itself struggling to develop a manufacturing industry for a small local population with limited buying power.

Kenya's industrial sector, the giant of the region, is stagnating for want of new markets. Uganda chafes at its lack of access to the sea. Tanzania suffers from a shortage of consumer goods.

As for foreign businesses, the prospect of tackling three separate sets of national regulations to win access to a market of only about 70m consumers has been a disincentive.

Elsewhere in the world, regional trade blocs are forming, threatening to leave Africa isolated. The end of the apartheid era in South Africa, expected to trigger aggressive ventures into the rest of Africa, made the three governments decide they were running out of time.



With the encouragement of the International Monetary Fund and World Bank, talks on a new EAC were launched seriously two years ago. The three agreed to set up a secretariat, with an annual budget of $1.2m. Kenya, the biggest industrial power, was to appoint the secretary-general.

In theory, the regional climate is far more conducive than in 1977. The bloodletting in Uganda is over. Tanzania, Kenya and Uganda have swallowed the medicine prescribed by the IMF and their economies now share many characteristics.

"All three have relatively open trade regimes," says Mr Anand Rajaram, resident economist for the World Bank in Nairobi. "Historically there are better reasons now for co-operation."

While few economists dream of reviving the EAC in its old form – for one thing, many of the original companies are now slated for privatisation – harmonising tariffs with the outside world and then eliminating internal barriers would, they argue, send a strong signal to business.

"Together as a beacon they should be sending out a message to the rest of the world – wa have liberal regimes and harmonious regulations, come and invest here," says Mr Rajaram.

But this is to reckon without the hostility that has long brewed between Mr Moi and President Yoweri Museveni of Uganda. The Kenyan president, from the old school of post-independence politicians, suspects his younger, charismatic counterpart of imperialist ambitions. At the inauguration of Mr Benjamin Mkapa, the Tanzanian president, last year, the two could hardly bear to shake hands.

When the three leaders met last month Mr Moi emphasised his commitment to the EAC and the mood was mellow. But Kenya's procrastination has meant that the secretariat, originally supposed to open last March, is now a year behind schedule.

"Even if a secretary-general is named, the EAC won't get off the ground until there's a new president of Kenya," predicts one diplomat. "You have to have like-minded people and in Moi and Museveni you don't have that."

But optimists argue that the movement has already gained snch momentum at a lower level, with transport, police and central bank officials already co-operating, that something will have been achieved even if the presidents fall out. "We have to ride it as long as we can, as far as we can go," says Mr Rajaram. "I expect political problems to re-emerge, but the point is to try to get as much done as possible first."

INTERNATIONAL NEWS DIGEST

Iraq to assess pipeline repairs

Iraq is to send technicians to Turkey to explore ways of repairing its twin pipeline through Turkish territory, Baghdad diplomats said yesterday. They said the team was expected to leave soon, pending a review by Iraqi leaders of the outcome of the first round of talks with the United Nations on limited sales of Iraqi oil.

Last week Baghdad said there was nothing wrong with its trans-Turkey pipeline, through which it was pumping 1.6m barrels/day on the eve of the 1990 invasion of Kuwait. The invasion prompted the UN to ban Iraq's oil exports as part of comprehensive trade sanctions. The twin 1,049km Kirkuk-Yumurtalik line has a maximum capacity of 2m b/d.

Iraq's pipeline network was a key target for allied bombing during the ensuing Gulf war. Mr Talal Ashur, director of Iraq's Northern Oil Company, said last week that Iraqi engineers had repaired the war damage to the pipeline, through which Iraq would have to pump most of its partial exports if it reached agreement with the UN. *Reuter, Baghdad*

EU signs Moroccan accords

The European Union and Morocco signed wide-ranging trade and co-operation agreements yesterday, drawing a line under bitter disputes over fish quotas and farm exports. "We are turning a page in our relations with the world's major trading bloc and entering a new era," Mr Abdellatif Filali, Moroccan prime minister, said.

The so-called "Euro-Mediterranean" accord is part of the EU's strategy of building closer economic and political ties with the nations of North Africa and the Middle East.

The 15-nation Union already has such deals with Tunisia and Israel and is negotiating with several others in an attempt to encourage economic development and political stability along its southern flank.

The agreement was held up by a dispute over fishing quotas for EU boats in Morocco's rich coastal waters. As negotiations stalled, Morocco banned Spanish fishing boats from working in their traditional waters, provoking sometimes violent protests from fishermen in southern Spain.

Mr Filali said the new fisheries agreement would lead to a sharing out of fish stocks.

In return, the EU is set to pay Morocco Ecu350m ($437.5m) over four years. The accord also provides for a gradual 20 per cent reduction in the number of European fishing vessels working Moroccan fishing grounds.

Fears from some European nations that their markets would be swamped by cheap fruit and flowers also held up the agreement. Deadlock was broken by a compromise written into the accord which allows gradual increases over three or four years of imports of Moroccan tomatoes, cut flowers, oranges and potatoes. *AP, Brussels*

S Africa placates Algerians

South Africa and Algeria will strengthen ties by signing a bilateral agreement to develop areas of common interest, Mr Aziz Pahad, South Africa's deputy foreign minister, said in Cape Town yesterday. He had been sent to Algeria to deliver a message from President Nelson Mandela to his counterpart, Mr Liamine Zeroual, in what appeared to be an attempt to patch up a row between the two countries.

Mr Mandela met Mr Anouar Haddam, a representative of the outlawed Islamic Salvation Front (FIS), at his official Cape Town residence on February 16, prompting an official protest from Algeria.

Mr Pahad said Mr Haddam had "misrepresented" his talks with the South African president and that the reason for the meeting had "now been fully explained to the Algerian government". *AFP, Cape Town*

NEWS: WORLD TRADE

Georgian pipeline for $8bn oil project

By Robert Corzine and Bruce Clark in London

The international consortium overseeing an $8bn project to develop three big offshore oil fields in Azerbaijan is expected to confirm today it will go ahead with an export pipeline through Georgia.

The Azerbaijan International Operating Company, which is developing the offshore Chirag, Azeri and deep-water Gunashli fields in the Caspian Sea, says it will formally notify the Tbilisi government of its intention to proceed with a pipeline to carry early oil to the Georgian Black Sea coast.

An AIOC executive yesterday dismissed suggestions that talks on the western pipeline were stalled. "Everything is moving ahead," he said.

Earlier this month AIOC signed a transportation agreement with Transneft, the Russian oil pipeline monopoly, to ship 5m tonnes of Azeri oil a year through the Russian pipeline system to the Black Sea port of Novorossisk via Grozny in Chechnya.

Last autumn the consortium decided to aplit early oil exports between the two routes after intense political lobbying by Russia and Turkey, which backs the Georgian route.

Financing for the Georgian route remains unclear. AIOC officials met Tnrkish representatives in Baku last week for talks on financing options for tbe western pipeline, whicb will be operated by consoritum.

Turkey has offered to build the line in order to ensure that it remains in the running in the competition to be the destination for a main export pipeline from the Caspian.

Azerbaijan's President Heydar Aliyev was due to fly to Tbilisi a week ago to confirm his government's approval of the Georgian route, hut the trip was postponed because of a flurry of diplomatic activity over the disputed territory of Nagorno-Karabakh.

Russian and Turkish officials have suggeated that a resolution of Karabakh's status is needed before final decisions can be made about the main pipeline route. One of tbe suggested routes for the big pipeline would pass through the heart of the Armenian-Azeri war zone.

In Moscow, nationalist politicians have insisted that last month's Russian-Azeri agreement on the use of a pipeline through Chechnya be submitted to parliament for ratification. Mr Alexei Mitrofanov, foreign affairs spokesman for the ultra-nationalist party led by Mr Vladimir Zhirinovsky, said ratification was "not s foregone conclusion." The Georgian route may also be cballenged by Rnssian parliamentary hardliners.

Manila double blow for BAA

By Edward Luce in Manila

BAA, the UK's largest operator of airports, suffered a final blow to its bid to construct a third terminal at Manila international airport yesterday when the Philippine government aigned np an alternative consortium for the $369m project.

BAA, which submitted a build-operate-transfer (BOT) offer more than two years ago, will also almost certainly be exclnded from the $2bn contract to construct a second international airport at Clark Airbase, 80km north of Manila.

The winning consortium for the Manila airport extension, led by Asian Emerging Dragons, a group of six Chinese-Filipino businessmen formed at the behest of President Fidel Ramos, is also expected to sign a memorandum to upgrade the second airport at Clark later this year. Clark was formerly a regional base for the US airforce. "It is very disappointing that BAA has been excluded from the deal," said Ms Tina Rose, a consultant for BAA in the Philippines. "BAA had a golden opportunity and it missed it."

Asian Emerging Dragons, which includes Mr Lucio Tan, chairman of Philippine Airlines and George Ty, owner of Metrobank, the country's largest private sector bank, will have a majority stake in the consortium, which also comprises Ital-Thai, the Thai construction group, Marubeni and Mitsui of Japan.

The third terminal, which will have a capacity of more than 10m passengers a year - more than double the airport's current limit, was planned to be completed by 1998. Controversy over the bidding process, however, delayed yesterday's signing and has probably put back the final completion date.

The government, which wants the two airports to be under joint management, said last year that it would eventually make Clark the country's premier airport.

Tokyo eager to avert clash over investment rules

By Guy de Jonquières

Japan plans a series of diplomatic initiatives to try to avert a threatened clash in the World Trade Organisation over negotiations between industrialised countries on far-reaching rules for the treatment of international investment.

The negotiations, launched in the 25-member Organisation for Economic Co-operation and Development last year, have provoked controversy as developing countries fear the industrialised powers will aeek to make an eventual agreement the basis for a similar global accord in the WTO.

Many developing countries say they would resist attempts to impose the outcome of the OECD negotiations on them. They are unwilling to accept rules on which they have not been consulted, and which are likely to reflect rich countries' interests and priorities.

According to a senior Japanese foreign ministry official, his government's planned initiatives are intended as an "education" process, which will focus on softening opposition in several leading Asian developing countries by establishing dialogue between them and OECD members.

The Japanese official, who serves on the OECD committee negotiating the so-called multilateral agreement on investment, will shortly visit the Philippines and Thailand to brief the governments on the negotiations. He may also make approaches to Indonesia and Malaysia.

Japan also plans a campaign to strengthen voluntary guidelines on foreign investment agreed by the 18-member Asia Pacific Economic Co-operation forum. Although Japan does not expect to be able to persuade Apec to turn the guidelines into legally binding commitments, it hopes to move their provisions closer to the planned OECD rules.

Japan also intends to throw its weight behind a meeting between OECD members and Asian governments on investment rules in Hong Kong next month, and is considaring organising a high-level conference of its own this summer, to which selected industrialised and developing countries would be invited.

Tokyo is not seeking to launch immediate negotiations in the WTO on investment rules. However, it believes urgent efforts are needed to prevent a row erupting at the WTO's ministerial meeting in December, at which OECD members are expected to present their outline agreement.

Seoul expects to invest $3bn in India by 2000

By John Burton in Seoul

South Korean companies are planning to boost investment in India more than tenfold to at least $3bn over the next five years, according to officials accompanying Soutb Korean President Kim Young-sam on a trip to New Delhi.

India is expected to join China, Vietnam and Mexico as a prime destination for Korean companies, with total investment in India predicted to increase from $250m in 1995 to upwards of $3bn by 2000.

Samsung Electronics of South Korea yesterday announced it would invest $630m in India over the next decade to manufacture telecommunications equipment, computer monitors, facsimile machines, colour picture tubes, home appliances and components. Samsung says it expects the electronics market in India to be as large as China's by 2005.

Samsung, which will also establish a distribution network, plans to directly invest $200m, with the rest raised through commercial banks and joint partnerships.

The investment by Samsung follows a recent announcement by the LG group to build a $180m electronics plant and a $300m petrochemical complex near New Delhi.

The biggest South Korean investments so far are in the car industry. Hyundai last week received final approval from New Delhi to build a $1.1bn car factory that will prodnce 200,000 vehicles by 2002. The Hyundai plant will be the first wholly owned foreign car factory in India, although Hyundai plans to offer 40 per cent of the venture to the public after initial car production begins in 1998.

Daewoo Motor entered car prodnction last year in a joint venture with DCM and it expects to invest $1bn by 1998 to produce more than 200,000 vehicles.

There are concerns, however, that the large Korean investments may contribute to a glut in the Indian car industry as other foreign manufacturers enter the market. Combined output from the Hyundai and Daewoo projects alone would account for half of the estimated sales of 800,000 vehicles in India by 2002.

Daewoo has promised to invest a total of $5bn in India, including cars, electronics, shipbuilding and power generation. It has taken the lead in winning infrastructure contracts, with $1.5bn in orders so far this year to huild power plants.

India was the fourth largest overseas market for Korean construction companies last year with $935m in orders. Korean contractors expect this figure to rise significantly because of India's ambitious infrastructure programme.

Mr Kim Young-sam, the South Korean president, yesterday called for a new Indian Ocean-Pacific trade zone to be set up, and said that increased economic liberalisation and free trade in the region could help eradicate poverty in many Asian nations, writes Shiraz Sidhva in New Delhi.

Mr Kim, wbo is beading a business delegation of trade officials and representatives of 35 Korean companies, is the first Sonth Korean head of state to visit India. He also signed an agreement to set up a joint commission at foreign ministers' level, and an investment promotion and protection pact.

He said that although China would continne to receive the bulk of South Korean investment, businessmen from his country felt at ease doing business in India because it was a free-market economy.

Sontb Korea exports machinery and mechanical appliances, organic cbemicals, plastics, ships, boats, and copper to India.

India's exports to Sontb Korea include mineral fuel, prepared animal fodder, alnminium, cotton yarn, iron and steel, and organic chemicals.

WORLD TRADE NEWS DIGEST

Carlsberg builds Chinese brewery

Carlsberg, the Danish brewery group, is to establish a brewery near Shanghai with a production capacity of 500,000 hectolitres of beer a year. The brewery is due to open in late 1997 or early 1998.

The beer market in China is increasing by 15-20 per cent a year, according to Carlsberg, and the country is expected to become the world's largest market by the year 2000. Carlsberg's beer has been brewed on licence in China since 1991 by the Huizou Brewing Company, in which Carlsberg Brewery Hong Kong (CBHK) acquired a 99 per cent holding last year. CBHK will own 80 per cent of the Shanghai brewery, with a local partner, Songjiang Economic and Technical Developing and Construction General Company, holding the remaining stake.

CBHK is 40 per cent owned by Carlsberg, with Swire Pacific and East Asiatic Company holding the remaining shares. The Shanghai brewery will be constructed by Danbrew, a subsidiary of the Danish group. *Hilary Barnes, Copenhagen*

US grants security code licence

The US State Department has granted the first licence for overseas use of a computer security system using a 64-bit key to Barclays Bank of the UK and Visa, the international card and payments group. The security code will be used for a new personal compnter based banking service Barclays is launching today in a pilot scheme.

Longer algorithms have been used outside the US in closed electronic systems, such as cash machine networks, but the use of a 64-bit algorithm will be the first in an "open environment", where the bank does not control the personal computers using the code. "The longer the key, the more the processing power you need to crack it," said Mr Daryl Booth of Barclays. There has been fierce US debate over whether to allow export of encryption technology with keys up to 128 bits, which is becoming an essential component of software such as Web browsers. *George Graham, Banking Correspondent*

Iran and China in rail deal

Iran has extended $230m in credits to China for the purchase of trains and carriages for Tehran's new subway. Iran will extend a further $270m letter of credit to China by March 20 for the project, whose construction was delayed by the 1979 Islamic fundamentalist revolution and tha 1980-88 Iran-Iraq war. Under a bilateral contract, China will provide the locomotives and carriages and be responsible for electricity, signalling and ventilation in Tehran's subway, according to the official Chinese news agency. The initial deal involved two letters of credit totalling $230m in value. *Reuter, Tehran*

■ China has awarded a $300m power station contract to a consortium led by Siemens, the German industrial group, and Mitsui Babcock Energy, the joint venture between Babcock International, the British engineering group, and Mitsui Engineering and Shipbuilding of Japan. The contract is for a 700MW coal-fired plant for Huaneng Power International at Fuzhou in south-east China. Mitsui Babcock Energy will supply boilers worth $300m, to be made partly at the company's plant in Renfrew, Scotland. *Stefan Wagstyl, London*

■ Lucas Industries, the automotive and aerospace equipment manufacturer, yesterday announced a multimillion dollar contract to supply brake systems to Ford of tha US. The UK group also said it had secured further orders worth $50m for electronic components such as rain censors and power steering systems. *Tim Burt, Detroit*

هكذا أعلن الأصل

Introducing the new U.S. $100 note

It doesn't look quite the same,

NEW

OLD

but it's worth the same.

The 1996 U.S. $100 note, which will soon be in circulation, has been redesigned for one simple reason: to stay ahead of new printing technologies that could be used for counterfeiting.

Both the new notes and the older notes in circulation have exactly the same value. You will always be able to use them interchangeably.

The 1996 U.S. $100 note is the first denomination to be redesigned. Other denominations will be phased in over the next several years.

Additional features for greater protection.

In order to accommodate a number of new security features, the overall design has been changed.

While the note is still easily recognizable as American currency, the portrait of Ben Franklin has been enlarged and moved slightly off center to create space for a watermark. This mark will be visible when the note is held up to the light.

Other features include the addition of color-shifting ink, microprinting, concentric fine-line printing and a security thread that now glows under ultraviolet light.

No recall. No devaluation. No time limit.

It is important to remember that the United States government will continue to honor all its currency now in circulation at its full face value. The United States has never recalled or devalued any of its currency and will not do so now.

If you have any questions, please contact the nearest U.S. Embassy or the U.S. Treasury Global Information Center at (202) 872-8177.

This message from the U.S. Treasury and the Federal Reserve Board

Record third year of decline, but industry output suggests recovery under way

Japanese household spending falls

By William Dawkins in Tokyo

Japanese household spending fell 1.1 per cent in 1995, a record third year of decline, but a 3.3 per cent rise in industrial output, the best for five years, suggests recovery is under way.

The fall in spending completed a record seven consecutive months' decline and marked an acceleration compared with the 0.9 per cent decline in consumer spending in 1994, the government's management and co-ordination agency said yesterday.

This gloomy result, after a 1 per cent year-on-year decrease in December spending, is in line with expectations from the market.

It strengthens many Tokyo economists' belief the Bank of Japan will not be tempted by the recent series of other, brighter, economic indicators to increase interest rates until a broader-based recovery emerges.

Long-term interest rates have risen recently, in anticipation the authorities might tighten monetary conditions early to head off any return to inflation.

This has been denied by officials at the finance ministry and central bank, who say that they want to stabilise the financial system before considering any change in monetary policy.

Household spending, which accounts for just under two-thirds of gross domestic product, was hit last year by a record low wage increase, lower bonuses and overtime, and the psychological shock of the Kobe earthquake and the gas attack on the Tokyo subway.

Household income rose 0.9 per cent to Y570,818 ($5,385) a month, explaining last year's estimated 1 percentage point rise in the savings rate to 16.3 per cent, the highest of any industrialised country.

Agency officials yesterday argued the decline in personal spending as a lagging economic indicator, did not challenge the government's recent declaration that the recession was over.

To bear them out, the ministry of international trade and industry yesterday announced a 3.3 per cent rise in output for December and for 1995 as a whole.

Cars and department stores yesterday reported that signs of improvement in December had intensified in January. Domestic vehicle output rose 1.4 per cent last month, the first increase in eight months; department store sales rose 5.4 per cent, the biggest rise in nearly five years.

More evidence the economy has started to pull out of nearly five years' stagnation is expected on Friday, when the Bank of Japan is due to publish its Tankan quarterly survey of companies, the most authoritative forecast available of business conditions in the short-term future.

Private-sector economists expect a significant improvement in the business outlook, based on continued low short-term interest rates and a relatively stable currency.

Tokyo nears pact with HIV victims

After years of foot-dragging, the Japanese government and drug companies are poised for a reconciliation with the country's HIV sufferers who contracted the virus in the 1980s through untreated blood products.

A court ruling last October for a negotiated settlement in favour of the haemophiliacs, which ended an eight-year law suit against the state and drug makers, and the arrival of Mr Naoto Kan, a dedicated supporter of HIV victims, as minister for health and welfare, has helped push for an imminent solution.

The process received a new boost yesterday as the health and welfare ministry and drug companies moved to mend a split over division of the compensation burden.

Officials from Baxter, the US drug group whose aversion to a settlement plan by the Japanese courts had been a main barrier to resolving the issue, met Mr Kan and indicated it was ready to reach a compromise accord by the end of next month.

"Officials at Baxter revealed a positiva stance," said Mr Kan, although declining to specify details. The move is expected to speed settlement negotiations ahead of March 29, the date set by the courts.

The Tokyo and Osaka district courts had proposed a negotiated settlement with 200 haemophiliac plaintiffs who had been suing the state and five drug companies, including Green Cross, the country's top blood products maker, and Baxter of the US and Bayer Yakuhin, the Japanese arm of the German drug concern.

Drug companies and minister expected to reach accord by end of next month

The courts proposed a total of Y24.5bn ($231m) damages, with a suggested payment of Y45m to each plaintiff. Drug companies, especially Baxter and Bayer, which face similar lawsuits in other international markets, protested against the court's recommendations that 60 per cent of the settlement charges be borne by the five companies.

The two foreign companies argued that the government's delay in approving treated blood products to be distributed had been the leading cause of the problem, and called for a higher contribution by the state.

They threatened to leave the negotiations unless the government agreed to bear additional costs such as medical care for the sufferers.

The government formally acknowledged its negligence and apologised earlier this month, following the recent disclosure of documents indicating the ministry was aware of the risks involved in using untreated blood products as early as 1983, but had postponed the approval of treated heated blood products until 1985.

The sufferers allege authorities intended to protect the market share of Japanese blood companies, including Green Cross, which during the time did not have the technology to manufacture treated products, but had allegedly nurtured a relationship with the ministry by accepting retiring ministry officials on to its payroll.

An estimated 2,000 Japanese contracted HIV from untreated blood products imported from the US; by the end of last year, more than 400 had died of Aids-related conditions, 60 per cent of them children.

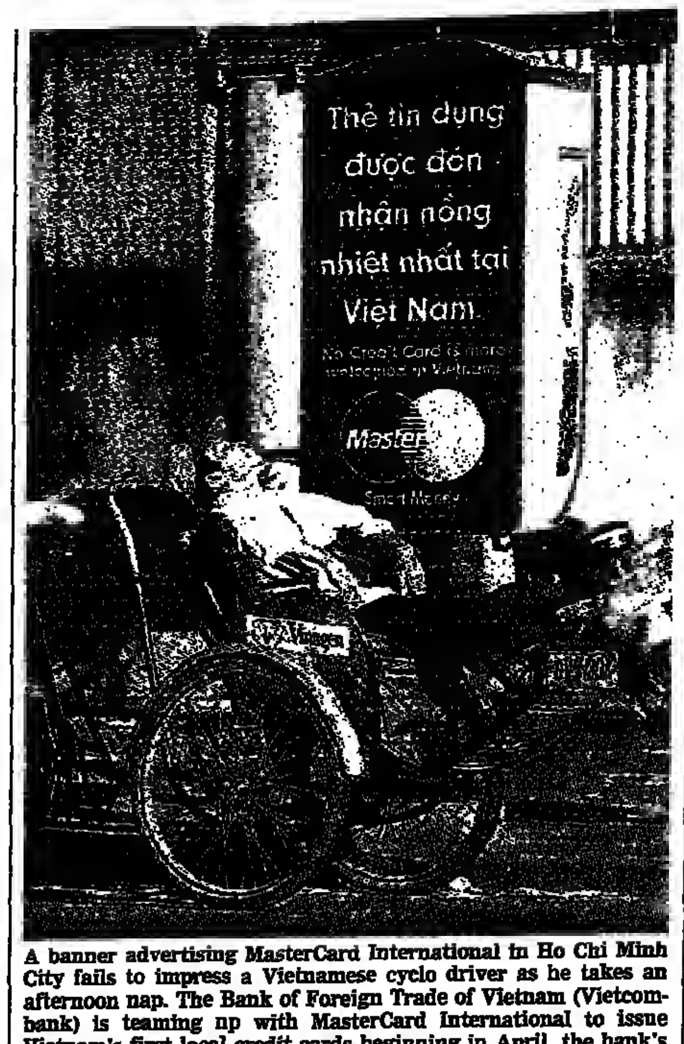
But, the sufferers say, while foreign companies were denied the sales of their treated blood products, they had profited from the distribution of untreated products, whose sales were plunging in the US.

Many of the sufferers are questioning the companies' responsibility as multinationals. "The foreign companies will have to consider both the cost of the settlements and the cost of losing the Japanese market, the world's second largest market for drugs," Mr Tomoyuki Iizuka, a lawyer for the plaintiffs, said.

The agreement with Baxter will bring Japanese companies, which have enjoyed a relative absence of public attention because of the split between the government and the two foreign companies, back into the limelight.

Recent documents released by the health and welfare ministry have raised allegations of corporate executives influencing decisions through personal connections.

Emiko Terazono



A banner advertising MasterCard International in Ho Chi Minh City fails to impress a Vietnamese cyclo driver as he takes an afternoon nap. The Bank of Foreign Trade of Vietnam (Vietcombank) is teaming up with MasterCard International to issue Vietnam's first local credit cards beginning in April, the bank's executive director said yesterday. The arrival of plastic could revolutionise retailing in the country's cash economy. *Reuter*

Chun on trial over corporate 'payments'

By John Burton in Seoul

Mr Chun Doo-hwan yesterday became the second former South Korean president in recent months to go on trial for alleged corruption, with prosecutors claiming he collected almost $300m (£195m) in corporate bribes.

Mr Chun admitted he had received $900m in payments during his 1980-88 term, but described all of them as political donations.

The former military ruler, who came to power in a 1980 coup, strenuously denied he received corporate contributions in return for influencing decisions affecting business.

"The decisions were made by the concerned ministers, and I respected their decisions. I did not act in favour of one company," he explained. A similar defence has been offered by Mr Roh Tae-woo, Mr Chun's successor, during his recent trial for allegedly accepting $650m in corporate payments.

Most of the money raised by Mr Chun was used to finance the election campaigns of political allies, although some funds allegedly went to opposition politicians to buy their co-operation.

Mr Chun refused to name the alleged recipients, saying: "It would be better the list is not disclosed" to prevent political turmoil. Mr Chun and Mr Roh, both former army generals, were arrested late last year as part of a campaign by the present civilian president, Mr Kim Young-sam, to "right the wrongs of history".

Critics contend the action was taken to distract public attention from allegations that Mr Kim accepted illegal political contributions from Mr Roh for his 1992 presidential campaign.

The two ex-presidents are also expected to be tried jointly next month for their roles in the takeover of the military leadership in 1979 and a massacre of pro-democracy protesters in 1980.

Mr Chun has been subject to public scrutiny before for alleged illegal financial activity. A parliamentary committee in 1989 heard evidence concerning the Chun family, and Mr Chun did penitence by exiling himself to a remote Buddhist temple for a year.

Mr Chun yesterday said he received donations as traditional gifts on holidays, but some of the five former aides also on trial claimed they were ordered to collect money from the country's big industrial groups to finance the 1987 presidential campaign of Mr Roh.

Mr Chun denied companies were being intimidated to give political contributions for the 1987 campaign of Mr Roh.

Security chief's sacking seen as rebuff for Jiang

By Tony Walker in Beijing

General Ba Zhongtan, commander of China's paramilitary People's Armed Police and protégé of President Jiang Zemin, has been pushed aside. His removal is regarded as a rebuff for China's leader.

Gen Ba, 68, appears to have paid the price for lax security that resulted in the murder of a senior official early this month by one of his PAP bodyguards. The death of Mr Li Peiyao, vice-chairman of the National People's Congress, China's parliament, rocked the security-conscious Chinese leadership.

Gen Ba had been hand-picked in 1992 by Mr Jiang for the politically sensitive role of commander of forces responsible for internal security, including the protection of Chinese leaders. He was brought out of retirement for the job.

Western officials in Beijing said the sacking of Gen Ba was a setback for Mr Jiang. "It is reasonable to look for some embarrassment for Jiang in all of this, given the way he courted the PAP," one official said.

The new head of the PAP is expected to be Gen Yang Guoping, 61, vice-president of the Chinese military academy. Gen Yang is close to Gen Zhang Wannian, a newly appointed vice-chairman of China's Central Military Commission, which is responsible for overseeing China's military.

Gen Yang's appointment is a sign that the CMC is anxious to assert tighter control over the 800,000 strong PAP, which was formed in the early 1980s and had been seeking to develop a more independent role in recent years.

Extra resources were provided after the 1989 Tiananmen Square episode which exposed serious deficiencies in China's ability to control civil disturbances. Mr Jiang, who has been anxious to solidify his power base, is thought to have regarded close relations with the PAP as important to his ambitions.

But his apparent inability to save the career of his protégé is a reminder of challenges to Mr Jiang's own hold on power. China is engaged in a difficult transition to a new generation of leaders in place of Mr Deng Xiaoping, the ailing patriarchal leader.

Changes at the top of the PAP (other senior officers have also been removed following Mr Li's murder) signal the seriousness with which the leadership views security lapses.

ASIA-PACIFIC NEWS DIGEST

China warning to Lutherans

China has advised the Lutheran Church to reconsider plans to hold its world assembly in Hong Kong after the 1997 handover of sovereignty, according to church officials. The warning has raised concerns about the freedom of worship after the transfer of sovereignty from Britain to China and about interference in Hong Kong affairs.

The Lutherans had scheduled their world assembly for early July next year, just one week after the territory reverts to China. But the official Xinhua news agency in Hong Kong, which serves as Beijing's representative office, advised the church to postpone the meeting. It said the matter should be referred to the Sino-British Joint Liaison Group for consideration.

The Hong Kong government dismissed the idea that the matter should go before the JLG, a bilateral body which deals with issues relating to the handover of sovereignty. "Such conferences take place in Hong Kong all the time . . . They are part of Hong Kong's way of life," a government official said. *John Ridding, Hong Kong*

Singapore growth slows

Singapore said yesterday its economy grew 8.9 per cent in 1995, a rate that would be the envy of many nations but significantly lower than the double-digit growth the island recorded in the previous two years. According to the Trade and Industry Ministry, the economy grew 9.1 per cent year-on-year in the last quarter of 1995 against 9.9 per cent in the third quarter. It forecast 1996 growth of 7-8 per cent.

Gross domestic product grew by 10.4 per cent in 1993 and by a revised 10.2 per cent in 1994. Singapore could also be hit by a slowdown in exports as rising costs make it less competitive, the Trade and Industry Ministry said in its quarterly survey. The survey said the electronics sector led the expansion in manufacturing, the main engine of growth in 1995. Manufacturing grew at 10.3 per cent in 1995 against 13 per cent a year before. *Reuter, Singapore*

Seoul expels foreign journalist

South Korea yesterday expelled a foreign journalist, in its first such action for a decade, by refusing to renew the work visa of Mr Bruce Cheesman, Seoul correspondent for the Australian Financial Review.

The Justice Ministry gave no explanation for its action, but Mr Cheesman has written several critical articles about President Kim Young-sam that have angered officials. Mr Cheesman, a UK citizen, is also preparing an unauthorised biography of Mr Kim that has raised government concerns.

"There is no justifiable reason for them to take this action," said Mr Gregory Hywood, the AFR editor-in-chief, who added: "The decision signifies a lack of maturity." Relations between South Korea's civilian administration and foreign correspondents have deteriorated recently. *John Burton, Seoul*

India's wholesale inflation falls

India's wholesale inflation rate has fallen to a 10-year low of 4.42 per cent, sustaining a record 46-week run in single digits, according to the industry ministry's latest weekly figures. The rate a year ago was 11.5 per cent. The latest rate is below the 5 per cent target laid down last year by Mr Manmohan Singh, finance minister, and underscores the government's concerted pursuit of lower inflation, one of India's most politically sensitive economic indicators, in an election year.

Economists point out that the wholesale rate is calculated on the basis of a basket of items over which the government still administers many prices, including food and fuel. Most economists expect these prices to rise after the election. Consumer prices, for which there is no unified Indian index, have been rising at 10 per cent for urban manual workers and 12.5 per cent for farm labourers. *Mark Nicholson, New Delhi*

Cunard cruise ship stranded

A round-the-world cruise ship with 476 passengers on board was stranded between Hong Kong and Malaysia yesterday after fire broke out in its generator room.

The Sagafjord, which sailed on January 4 from Fort Lauderdale, Florida, has been left without power after the fire, but none of the passengers or 300-strong crew was injured, said the owner, Cunard. The luxury ship will be towed to Manila, some 370 km away, where engineers will attempt to repair the damage. *Reuter, London*

Ruling coalition suffers close shave in local poll

By William Dawkins in Tokyo

Japan's ruling coalition was yesterday reflecting on a closer than expected call in the first local election of the year, its first political setback since the election of Mr Ryutaro Hashimoto as prime minister last month.

While Mr Hashimoto was hurrying home from California at the weekend following a one-hour meeting with President Bill Clinton, voters in Kyoto, a traditional hotbed of anti-Tokyo establishment thought, were giving a government candidate in a mayoral election an uncomfortably close run for his money.

In the Sunday election, Mr Yorikane Masumoto, 55, a former city educational officer, backed by both the ruling coalition and the opposition New Frontier party, came in a mere 4,000 votes ahead of the Communist party candidate, Mr Kiichiro Inoue.

Political observers attributed Mr Masumoto's performance to distaste for the government's plan to use at least Y685bn ($6.53bn) taxpayers' money to liquidate bankrupt housing loan companies.

Mr Masumoto pulled in 222,579 votes, to Mr Inoue's 218,487 in a turnout of just over 42 per cent, average for a mayoral election.

"The result means we were the losers," said Mr Hiromu Nonaka, Kyoto head of the Liberal Democratic party, the dominant member of the ruling coalition.

The decision of the LDP and the opposition to support a joint candidate was motivated by anxiety that the Communists could win the city hall. The seat became vacant after last month's retirement due to ill health of the previous incumbent, an independent who also had cross-party support.

They may have been expecting a close result, but it is the first concrete sign of the vulnerability of the new government's more than 60 per cent showing in national opinion polls.

Labor pledges to review unfair dismissal laws

By Nikki Tait in Sydney

In a move to shore up votes, Australia's Labor government yesterday said it would review the country's unfair dismissal laws within six months if it won Saturday's elections.

The laws were introduced by Labor in 1994, and made it significantly easier for employees to mount an unfair dismissal claim against a former employer without risking heavy legal costs.

Despite some amendments, smaller companies argue that the laws still make for frivolous claims, and say they have postponed hiring people as a result. A change to the unfair dismissal laws has been one of the most popular elements of the coalition opposition's industrial relations package.

Yesterday's pledge by the government was attacked by both industry and the coalition, which is made up of the conservative Liberal and National parties. "It is clearly a recognition that the government accepts it might not have fixed the problem with the previous amendments," the Australian Chamber of Commerce and Industry said. "To delay six months is too long. We believe the government doesn't need an extensive period to identify issues of concern."

Mr John Howard, coalition leader, described the move as cynical and said "serious reform" was unlikely to be implemented. He came under attack from the trade union movement for failing to spell out what legislation would replace the existing laws.

Labor's move came as some opinion polls showed a swing in support back towards the coalition, after Labor's apparent gains last week. An AGB-McNair poll indicated the coalition is now attracting 47 per cent of first preference votes, and Labor only 39 per cent.

On a two-party preferred basis, with preference allocated, Labor emerged with a lead in Victoria and reduced the coalition's advantage in New South Wales. Labor badly needs to hold its position in NSW and gain marginal seats in Victoria.

Australia's federal court will rule today on whether Mr Rupert Murdoch's News Corporation should be prevented from running a breakaway rugby league competition, Nikki Tait reports.

This follows Friday's decision by the court that News acted dishonestly in setting up its "Super League" competition, and wooing players, officials and clubs from the existing Australian Rugby League.

The court also found that existing loyalty agreements between the ARL and its 20 clubs did not breach the Trade Practices Act.

Yesterday, lawyers for the ARL indicated the league was afraid News would simply move its competition, which has the backing of both New Zealand and UK clubs, offshore, and beam the games back on to Australian television screens.

When policies are not the issue, Page 13

INTERNATIONAL ECONOMIC INDICATORS: PRICES AND COMPETITIVENESS

Yearly figures are shown in index form with the common base year of 1985. The real exchange rate is an index throughout; other quarterly and monthly figures show the percentage change over the corresponding period in the previous year and are positive unless otherwise stated.

UNITED STATES

	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate
1985	100.0	100.0	100.0	100.0	100.0
1986	101.9	98.5	102.1	99.4	85.0
1987	105.6	100.7	103.9	96.7	76.1
1988	109.9	103.2	106.8	99.1	71.0
1989	115.2	108.5	109.8	101.1	74.8
1990	121.5	113.9	113.5	104.3	73.2
1991	126.6	116.3	117.3	107.8	73.9
1992	130.4	117.7	120.1	108.4	74.0
1993	134.3	119.2	123.1	107.7	76.3
1994	137.8	118.8	126.5	105.1	74.3
1995	141.7	122.2	129.5		68.7
1st qtr.1995	2.8	1.7	2.1	−2.1	70.2
2nd qtr.1995	3.1	2.1	2.3	−1.2	66.5
3rd qtr.1995	2.6	1.6	2.7	−0.6	68.5
4th qtr.1995	2.7	2.1	2.5		69.6
February 1995	2.8	1.7	2.0	−1.7	70.8
March	2.8	1.8	2.2	−1.4	68.2
April	3.0	2.1	2.3	−1.4	66.1
May	3.2	2.2	2.2	−1.2	66.8
June	3.0	2.1	2.3	−1.1	66.5
July	2.8	1.7	2.8	−0.6	66.5
August	2.6	1.3	2.8	−0.5	68.7
September	2.5	1.8	2.6	−0.7	69.9
October	2.8	2.1	2.6		69.2
November	2.8	2.0	2.5		69.8
December	2.5	2.2	2.7		70.2
January 1996			3.3		71.1

JAPAN

	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate
1985	100.0	100.0	100.0	100.0	100.0
1986	100.9	95.3	101.4	102.8	118.4
1987	101.3	92.5	103.1	100.1	122.8
1988	102.4	92.3	107.8	96.9	130.9
1989	105.1	94.2	114.0	96.9	123.5
1990	108.4	95.7	120.1	99.8	108.1
1991	111.9	96.8	124.3	104.0	114.2
1992	114.0	95.9	125.6	112.8	115.9
1993	115.4	94.3	125.8	118.8	133.5
1994	115.2	92.8	126.3	118.5	139.0
1995	115.9	92.0	132.4		140.4
1st qtr.1995	0.0	−0.8	4.0	−4.0	140.5
2nd qtr.1995	−0.1	−0.5	2.2	−3.4	153.4
3rd qtr.1995	−0.2	−0.7	3.7	−0.3	138.7
4th qtr.1995	0.8	−0.7	3.1		129.1
February 1995	0.0	−0.8	3.7	−5.2	138.3
March	−0.4	−0.5	3.4	−3.8	145.7
April	−0.2	−0.4	3.5	−4.5	155.0
May	−0.1	−0.5	3.5	−3.7	152.5
June	0.0	−0.5	0.8	−2.0	152.8
July	−0.1	−0.7	6.4	−0.3	147.1
August	−0.4	−0.7	0.3	−0.2	138.1
September	−0.1	−0.6	2.4	−0.4	130.8
October	−0.8	−0.6	2.3	−1.4	129.3
November	−0.9	−0.6	1.2	−0.3	128.1
December	−0.5	−0.8	4.0		129.6
January 1996	−0.4				125.7

GERMANY

	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate
1985	100.0	100.0	100.0	100.0	100.0
1986	99.9	87.5	103.8	103.8	107.5
1987	100.1	85.0	107.8	107.1	110.9
1988	101.4	96.2	112.6	106.8	109.9
1989	104.2	99.3	117.1	106.0	107.5
1990	107.0	101.0	123.5	110.3	109.8
1991	110.9	103.4	131.3	115.0	107.5
1992	116.6	104.8	138.2	121.5	110.4
1993	121.7	105.1	145.5	125.9	111.8
1994	125.1	105.7	150.8	118.1	110.2
1995	127.4	107.5			115.5
1st qtr.1995	2.0	1.7	1.9		115.3
2nd qtr.1995	1.9	1.8	3.6		116.8
3rd qtr.1995	1.7	1.9			115.2
4th qtr.1995	1.7	1.3			115.1
February 1995	2.0	1.8	n.a.		114.3
March	1.9	1.8	n.a.		117.7
April	2.1	2.0	n.a.		117.8
May	1.8	1.8	n.a.		116.2
June	1.9	2.0	n.a.		116.0
July	1.8	2.0	n.a.		116.7
August	1.7	1.8	n.a.		114.7
September	1.8	1.9	n.a.		114.3
October	1.8	1.6	n.a.		115.9
November	1.7	1.3	n.a.		115.1
December	1.8	1.2	n.a.		114.1
January 1996	1.5	0.0	n.a.		118.0

FRANCE

	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate
1985	100.0	100.0	100.0	100.0	100.0
1986	102.5	98.0	104.5	101.8	103.4
1987	105.9	98.1	107.8	103.0	104.7
1988	108.8	102.8	111.1	104.1	102.1
1989	112.5	108.2	115.4	105.2	99.6
1990	116.5	107.1	120.6	109.6	102.9
1991	120.2	105.8	125.8	113.4	100.7
1992	123.1	104.3	130.3	115.6	104.5
1993	125.6	101.6	133.7	118.1	107.0
1994	127.7	102.7	136.7		106.5
1995	130.0				106.8
1st qtr.1995	1.7	7.5	2.0		106.2
2nd qtr.1995	1.6	8.8	2.0		106.4
3rd qtr.1995	1.8	7.7			107.0
4th qtr.1995	1.9				107.6
February 1995	1.7	n.a.	n.a.	n.a.	105.8
March	1.8	n.a.	n.a.	n.a.	107.3
April	1.6	n.a.	n.a.	n.a.	107.9
May	1.6	n.a.	n.a.	n.a.	105.3
June	1.8	n.a.	n.a.	n.a.	105.0
July	1.5	n.a.	n.a.	n.a.	106.8
August	1.9	n.a.	n.a.	n.a.	106.9
September	2.0	n.a.	n.a.	n.a.	107.1
October	1.6	n.a.	n.a.	n.a.	107.2
November	1.8	n.a.	n.a.	n.a.	108.1
December	2.1	n.a.	n.a.	n.a.	107.4
January 1996		n.a.	n.a.	n.a.	107.3

ITALY

	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate
1985	100.0	100.0	100.0	100.0	100.0
1986	106.1	100.2	104.8	102.7	101.3
1987	111.0	103.2	111.8	105.5	102.1
1988	116.5	106.8	118.4	109.7	100.8
1989	124.2	113.1	125.8	112.3	105.1
1990	131.8	117.8	134.7	118.8	111.9
1991	140.3	121.7	147.9	129.5	113.1
1992	147.7	124.0	155.9	134.3	109.8
1993	153.9	128.7	161.6	136.7	95.5
1994	160.0	133.5	167.0	137.9	93.5
1995	168.6	143.8	172.2		90.8
1st qtr.1995	4.4	6.5	2.5	0.5	89.6
2nd qtr.1995	5.5	6.8	2.3		87.4
3rd qtr.1995	5.7	9.0	3.5		92.4
4th qtr.1995	5.9	7.2	3.9		92.8
February 1995	4.3	8.3	2.4	n.a.	81.8
March	4.8	7.5	2.3	n.a.	85.3
April	5.2	8.2	2.3	n.a.	83.7
May	5.5	9.0	2.3	n.a.	88.6
June	5.8	8.2	2.2	n.a.	89.4
July	5.6	8.2	3.5	n.a.	89.8
August	5.8	9.0	3.4	n.a.	93.0
September	5.8	8.7	3.9	n.a.	94.4
October	5.8	7.8	3.8	n.a.	92.7
November	6.0	7.2	3.9	n.a.	93.5
December	5.8	5.5	3.9	n.a.	95.2
January 1996	5.5			n.a.	97.1

UNITED KINGDOM

	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate
1985	100.0	100.0	100.0	100.0	100.0
1986	103.4	101.4	107.7	105.1	94.3
1987	107.7	104.9	116.3	107.5	94.5
1988	113.0	108.7	126.2	110.3	102.3
1989	121.8	113.9	137.2	115.1	101.2
1990	133.3	121.0	150.1	122.7	102.4
1991	141.2	127.5	162.4	129.5	105.1
1992	146.4	131.5	173.1	130.5	97.7
1993	148.7	136.7	180.9	130.4	90.2
1994	152.4	140.1	189.5	130.4	91.2
1995	157.6	145.9	197.9	134.7	88.1
1st qtr.1995	3.4	3.8	5.0	2.0	90.0
2nd qtr.1995	3.4	4.2	4.7	3.1	87.3
3rd qtr.1995	3.7	4.4	4.3	3.7	88.0
4th qtr.1995	3.2	4.4	3.9	4.5	87.2
February 1995	3.4	3.8	5.6	2.5	90.3
March	3.5	3.8	4.8	1.2	88.2
April	3.3	4.2	5.2	2.6	87.3
May	3.4	4.2	4.5	3.4	87.4
June	3.5	4.2	4.4	3.0	97.3
July	3.5	4.5	4.8	4.0	87.2
August	3.8	4.4	4.2	3.4	88.1
September	3.9	4.4	3.9	3.6	88.6
October	3.2	4.4	4.0	4.2	87.9
November	3.1	4.4	3.7	4.4	87.0
December	3.2	4.4	3.8	4.8	86.7
January 1996	2.9	3.8			88.0

Statistics for Germany apply only to western Germany. Data supplied by Datastream and WEFA from national government and IMF sources, and by JP Morgan, New York. Consumer prices: not seasonally adjusted. Producer prices: not seasonally adjusted, US – finished goods, Japan – manufactured goods, Germany – industrial products, France – intermediate goods, Italy – total producer prices, UK – manufactured products. Earnings index: not seasonally adjusted, refers to earnings in manufacturing except France and Italy (wage rates in industry). Hourly except Japan (monthly) and UK (weekly). Unit labour costs: seasonally adjusted, measured in domestic currencies. Germany – mining and manufacturing, other countries – manufacturing industry. Real exchange rate: JP Morgan real effective exchange rate index versus 18 industrial country currencies, adjusted for change in relative wholesale price of domestic manufactures. A fall in the index indicates improved international competitiveness.

FINANCIAL TIMES
COMPANIES & MARKETS
Tuesday February 27 1996

IN BRIEF

Oracle unveils Network Computer

Oracle, the leading database software company, gave the first public demonstration of a Network Computer, a low-cost device for accessing the Internet. Page 17

Belgian airline chief to resign
Mr Pierre Godfroid, chief executive of Sabena, is poised to announce his resignation, following weeks of industrial strife at the Belgian airline. Page 16

Metsä-Serla warns of lower 1996 profits
Metsä-Serla, the Finnish pulp and paper group, beat market expectations with a strong increase in 1995 profits to FM1.91bn ($423.7m), against FM786m in 1994. But the company warned that results this year would be lower due to weaker prices. Page 16

RWE rises to DM532m midway
RWE, Germany's largest energy group, reported a 5.5 per cent increase in net profits to DM532m ($365.6m) for the first six months. Page 16

MAN recovery doubles profits
MAN, the German truck and printing machine manufacturer, recovered from its difficulties to increase net profits in the first six months of 1995-96 from DM51m to DM110m ($75.8m). Page 16

Bombardier weighs up Fokker
Bombardier, the Canadian group which is considering a bid for Fokker, the troubled Dutch aircraft maker, started as a maker of snowmobiles. But since its first foray into aerospace less than 10 years ago, it has built a reputation for buying lossmaking businesses with government support and turning them round. Page 17

Metro Pacific doubles in full year
Metro Pacific, the Philippine flagship of Hong Kong-based First Pacific, more than doubled net profits last year to 513m pesos ($19.6m) thanks to strong growth in its telecommunications and consumer goods subsidiaries. Page 18

Abbey National seeks life group buy
Abbey National said it was interested in buying a life assurance company, but the UK home loans and banking group added it was not about to make a large acquisition. The comment, which came as the group announced a 10 per cent rise in pre-tax profits to just over £1bn ($1.54bn). Page 20

Savoy doubles payout as profits jump
The Savoy Hotel, in which Granada, the UK television, catering and leisure group, has a 68 per cent stake, doubled its dividend as pre-tax profits from continuing operations last year leapt from £4.4m to £11.5m ($17.7m). Page 22

CSO sees $2bn Russian diamond sales
Russia would generate nearly $2bn a year from sales of rough or uncut diamonds following the agreement signed with the diamond cartel organised by De Beers' Central Selling Organisation, said Mr Gary Ralfe, chairman of the CSO. Page 28

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Aachen Mch Rg	960	+	55
GSHE	838	+	21
Falls			
BMW	814	–	8.5
MAN	420.5	–	10.9
Porsche	670	–	32
SAP AG	224	–	5.5
NEW YORK ($)			
Rises			
Cray RSC Inc	28⅝	+	3⅛
Stardie Con	16½	+	3½
Verifone	46½	+	3⅛
Falls			
Public Svc E&G	28⅛	–	2
Sears Roebuck	46⅝	–	1⅞
Silicon Grphcs	24⅝	–	2⅛
LONDON (Pence)			
Rises			
Biotrace Intl	64	+	10
Goodwin	48	+	15
Psion	933	+	28
Falls			
Barclays	771	–	23
London Clubs	472	–	19
Scotia	558	–	48
TORONTO (C$)			
Rises			
Atlantis Comm	7½	+	1
Dia Met Min B	12¾	+	¾
Kerr Addison	26⅝	+	1¼
Falls			
Chais Ltd	19⅜	–	1¼
Hummingbird	54	–	2
KNG Res	17⅝	–	1
PARIS (FFr)			
Rises			
Intertechnique	580	+	10
Nav Mixte	777	+	32
Falls			
Air Liquide	893	–	17
Canal Plus	903	–	22
Ecco	940	–	23
Legrand	893	–	24
TOKYO (Yen)			
Rises			
Casio Computer	998	+	23
Fudo Const	1080	+	101
Hino Motors	916	+	23
Kyotaru	715	+	35
M'bishi Plstcs	703	+	64
Falls			
Green Cross	832	–	60
HONG KONG (HK$)			
Rises			
Four Seas Mer	2.625	+	0.12
Sing Tao	4.05	+	0.25
Truly Intl	1.32	+	0.08
Falls			
Giordano Intl	7.65	–	0.65
Guoco Group	42.5	–	1.9
Wharf Hldgs	30.4	–	1.3
BANGKOK (Baht)			
Rises			
Charoong Thai	60.0	+	3.0
New City	50.0	+	2.5
Paknpanang	22.25	+	1.75
Falls			
Bachart F&S	83.5	–	5.5
Thai Reinsure	120.0	–	9.0
Thai Tory Tex	81.0	–	2.0

New York and Toronto prices at 12.30pm.

Rexrodt in talks with Bremer Vulkan

By Judy Dempsey in Berlin

German economics minister moves to minimise fall-out from problems at shipbuilding group

Mr Günter Rexrodt, Germany's economics minister, will today hold emergency talks with the management of Bremer Vulkan, the financially-troubled shipbuilder which last week sought protection from its creditors.

Today's talks follow a meeting yesterday of Bremer Vulkan's banks which said they were close to putting together a package to restructure Germany's largest shipbuilder.

But bankers yesterday said prospects for a package to rescue the entire group were bleak. Bremer Vulkan is expected to make losses of DM1bn ($678m) for 1995 and will not repay outstanding state-guaranteed bank loans of more than DM1.4bn.

The banks, headed by Commerzbank, said they were not prepared to extend any further credits unless they were publicly guaranteed. Last week, the government said it would not bail out the company even though bankruptcy could lead to heavy job losses among the 23,000 workforce.

Today's talks, aimed at minimising the fall-out from the company's problems, are in spite of a reluctance by the banks, the government and the Bundesanstalt für vereinigungsbedingte Sonderaufgaben (BvS), the successor to Germany's Treuhand privatisation agency, to accept any responsibility, particularly for Bremer Vulkan's alleged misuse of DM626m of state-backed funds originally earmarked for its east German shipyards.

Mr Heinrich Hornef, president of the BvS, yesterday said BvS would start criminal proceedings against the company's former board for misuse of public funds. Neither the Treuhand nor the BvS had suspected any wrong-doing, and until last August it had assumed the investments were on schedule and the company accounts in order.

Mr Otto Schily, of the opposition Social Democratic Party said: "This is about weak control over the use of public funds."

The Treuhand sold the east German MTW and VWS shipyards and two other shipbuilding ancillary units to Bremer Vulkan in 1992. It allocated DM1.27bn of state-backed funds to restructure MTW and VWS while Bremer Vulkan agreed to invest a further DM1.54bn of state-backed funds into the yards. "The question is why the Treuhand did not keep a close eye on Bremer Vulkan. What was its contracts department doing?" asked Mr Schily.

The role of the BvS-run contracts management department is to ensure that investments made by buyers of Treuhand companies are made on time, are channeled into agreed projects and job guarantees are met.

But under Mr Friedrich Hennemann, the former chairman of Bremer Vulkan ousted last November, a DM864m investment tranche destined for the east German shipyards had been placed in a general "cash management", from which at least DM626m was put to other uses.

Silicon plans to buy Cray Research

By Louise Kehoe in San Francisco

Silicon Graphics, the leading supplier of workstations used for graphic design and simulation, plans to acquire Cray Research, the struggling supercomputer manufacturer, for around $780m.

"The combination of Silicon Graphics and Cray Research will create the world's leading high-performance computing company," said Mr Edward McCracken, chairman and chief executive of Silicon Graphics. The combined company will have annual revenues of about $4bn and will produce computers ranging from workstations for product design and special effects for the film industry, to the most powerful computers used in scientific research.

Silicon Graphics said it would launch a cash tender offer of $30 a share for about 75 per cent of Cray's shares this week. After completion of the offer, the remaining shares of Cray are expected to be converted at a one-to-one ratio into Silicon Graphics stock, which closed on Friday at $25¼. Cray's closing price on Friday was $25¾.

Cray's shares rose to a 12-month high of $28⅝ in mid-session, while Silicon Graphics shares were off $2⅛ at $25⅛.

Analysts expressed concern about the deal, pointing to the fact that Cray's revenues declined 26 per cent last year to $676m, and the company recorded a $226m loss after restructuring charges. Cray, however, has a $450m backlog of orders.

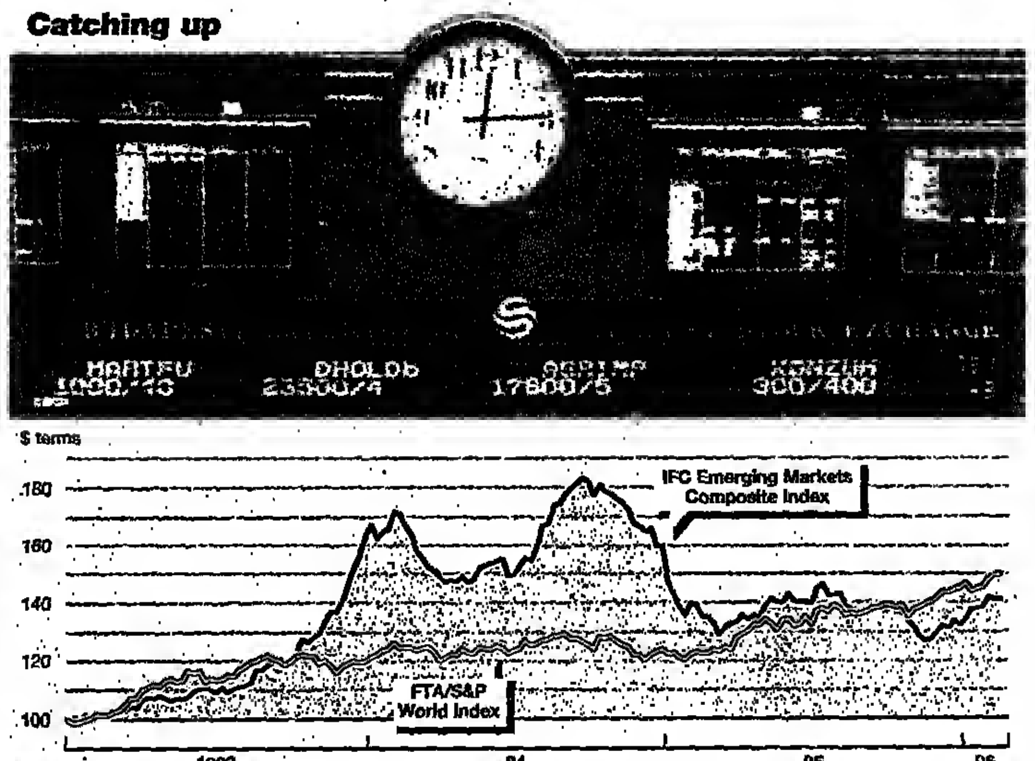
Cray is the pioneer of supercomputers – the most powerful computers in terms of number of computations per second – and its machines, which cost up to $30m, have long been used by governments for advanced research projects. It has seen its market shrink, however, with cuts in US defence spending and rising competition from less expensive "massively parallel" supercomputers built using hundreds of standard microprocessors like those used in personal computers.

Like Cray, Silicon Graphics is also facing increased competition as other workstation manufacturers and makers of high performance multimedia personal computers target its markets. Another concern is technical incompatibilities between Cray's supercomputers and Silicon Graphics' powerful workstations and servers.

Philip Coggan and **John Pitt** report on the sector's broad-based improvement

All aboard for the emerging market stocks

Catching up



Source: FT Extel

Emerging markets are on the march. Having ridden the roller-coaster of investor enthusiasm during the last three years, from tha bubble phase of 1993 through the disillusionment which followed the Mexican devaluation of December 1994, the sector is back in favour.

The IFC Composite Index, the standard measure of emerging market performance, is up 8.4 per cent since the start of the year in dollar terms. The improvement has been broadly spread, with rises of 7.6 per cent in Latin America, 8.8 per cent in Asia and 9.3 per cent in the Europe/Middle East region.

Once again, global liquidity seems to hold the key. The soaring markets of 1993 were fuelled by low US interest rates which the Federal Reserve was using to restore the health of tha banking system and the economy. Emerging markets started to struggle once the Fed began to raise interest rates in early 1994.

The rally is taking place against the background of falling interest rates around the world. In Japan, tha world's largest investor, the government and monetary authoritiee are attempting to revive the economy via ultra-low interest rates and stimulatory fiscal policies, which are pumping liquidity into the rest of the world.

Tha emerging markets may also be benefiting from the investment equivalent of the "Buggins' turn" process. "investors tend to put their liquidity first into domestic markets and then move it overseas," says Mr Arnab Banerji, chief investment officer of Foreign & Colonial Emerging Markets in London.

According to Mr Nigel Rendell, emerging markets strategist at James Capel in London, "over the Christmas/New Year period, a lot of people thought about where they were going to get the best performance in 1996. The Dow Jones had done extremely well in 1995 and Footsie had done pretty well".

It was time, therefore, for the emerging markets to catch up, especially as most countries which fall into the category were continuing to show superior rates of economic growth. And Mr Jonathan Francis, head of global strategy at Putnam investment Management in Boston, says that the combination of low interest rates and the prospect of slow growth in the developed economies has encouraged investors to take the higher risks associated with emerging markets.

The clinching factor, bowever, is probably that emerging market stocks look inexpensive relative to their recent history.

"Valuations at the start of the year were cheap compared with what they were 18 months ago," says Capel's Mr Rendell. "India was on a price-earnings ratio of 10 times and Asian markets were trading in the mid-teens compared with their normal 20 times plus."

The valnation issue may explain the particular appeal of eastern Europe where stock markets started the year explosively. Even after sharp rises, Poland and Hungary, for example, are trading on an average p/e ratio of 9 times 1996 earnings, while the Czech Republic is a slightly more expensive 11.5 times.

After the initial flurry of activity when trading volumes shot up to dizzy levels (Hungary saw daily turnover of some $10m by the end of last month, compared with an average of $1m during the middle of 1995, and Poland jumped to nearly $90m daily from around $18m during the fourth quarter 1995) there was a pull back earlier this month as foreign and domestic investors paused to take profits.

Nomura's East European equity team remains positive about Poland, and forecasts that a sustained downward correction in the market's performance is unlikely, despite the 34 per cent growth in dollar terms since December 1995. "More money still seems to be waiting to move in," they said, "and global emerging market funds, who were underweight during the rally may top np their weightings. European funds may also take a position earlier than they had previously planned."

At UBS, Mr Vikas Nath, emerging markets strategist, argues that the slowdown in the western European economies is good news for the eastern countries. "Because interest rates are falling in Germany, setting the tone for the rest of the continent, the emerging European economies are getting all the capital they want for a song," be says.

With few predicting an imminent rise in interest rates in either the US or Europe, the revival in emerging markets may have only just begun; James Capel predicts dollar returns of 25-30 per cent from the sector this year. And, as 1993 and 1994 showed, given the lack of liquidity of many of the markets, when tha sector starts to move, it moves very far very fast.

Ispat makes $950m investment

By Stefan Wagstyl, Industrial Editor

Ispat International, the London-based international steel group, is planning to invest about $950m in a Kazakhstan steel works, the second largest in the former Soviet Union.

The deal would be the biggest foreign investment in Kazakhstan and one of the biggest in the former Soviet Union.

The sale of the large Karmet works, which employs 38,000, was announced by Kazakhstan in November. But Ispat's financial commitment was disclosed only yesterday by Mr Lakshmi Mittal, the privately-owned company's chairman, founder and owner.

As well as the Kazakhstan investment, the company is pressing ahead with its controversial investment in Irish Steel, the lossmaking steelmaker it is buying from the Irish government. It is also considering a substantial acquisition in the US.

In an interview, Mr Mittal said Ispat was paying $450m for Karmet's assets and some of its liabilities, including the unpaid wages of the plant's workforce.

The company intended to invest about $500m modernising Karmet over five years and extending its sales network outside the former Soviet Union. It planned to cut the workforce by 10,000.

Mr Mittal said be boped to raise output at Karmet, which was running at 40 per cent capacity, from less than 2.5m tonnes a year to 6m tonnes.

Even before the planned modernisation is completed, the acquisition will this year add abont $1bn to Ispat's annnal turnover of $2bn.

Mr Mittal, 45, is the son of Mr Mohan Mittal, who established a business combine based on Ispat Steel in India. With belp from his family, Mr Lakshmi Mittal started Ispat international in Indonesia 20 years ago, with a $6m steel rolling mill. But the businesses later eplit, leaving him in sole charge of Ispat international.

Ispat International has since expanded with investments in Trinidad, Mexico, Canada, and Germany. It makes 6.5m tonnes of liquid steel a year.

Mr Mittal moved to the UK from Indonesia late last year. He estimates his net assets at about $1.8bn, making him one of the UK's wealthiest residents.

HSBC plays down speculation of a quest for acquisitions

By George Graham in London and John Ridding in Hong Kong

HSBC Holdings yesterday poured cold water on speculation that it was hunting for acquisitions to merge with its UK and US retail banking operations as it reported a 16 per cent increase in pre-tax profits to £3.67bn.

"We do not have a sbopping list and we find the current prices higb," said Sir William Purves, HSBC's chairman, in Hong Kong.

In London, Mr John Bond, group chief executive, dismissed the argument that Midland Bank in the UK or Marine Midland in tha US were ao outgunned in their bome markets they needed to merge with other banks to become big enough to compete.

But he said HSBC would look at "the right opportunity" to expand in fund management.

HSBC'e strong 1995 profits, higher than stock market analysts had predicted, followed healthy advances in its core Hong Kong operations.

The only significant disappointment came in the investment banking division, where pre-tax profits dipped 10 per cent to £227m after a weak performance at James Capel, HSBC's stockbroking affiliate.

Capel's pre-tax profits fell to £27m from £59m in 1994 as trading volumes in Hong Kong fell.

Hongkong Bank, which groups most HSBC Asia-Pacific activities, achieved a pre-tax profit of HK$23.49bn (£1.97bn) last year, a rise of 13 per cent on 1994. Operating profit, before provisions, rose more sharply, rising 23 per cent to HK$22.80bn.

Clues to Midland Bank's provisions against loans to Eurotunnel were hard to come by. The net charge for "bad and donbtful" debts rose £100m to £198m, but that resulted largely from lower releases and recoveries of old provisions. New specific charges of £210m were £82m lower than in 1994.

HSBC as a whole increased its bad debt provisions to £416m from £291m in 1994, with specific charges up 4 per cent to £286m.

Earnings per share rose 18 Per cent to 94p, and the board recommended a final dividend of 22.75p. That would make a payout of 32p for the year, up 18.5 per cent.

Lex, Page 16; Midland expands 10% to £998m, Page 19; Hang Seng Bank 8% ahead, Page 24

EUROPEAN NEWS DIGEST

UBS stake buy fuels proxy speculation

Union Bank of Switzerland is the subject of fresh speculation over a proxy battle at its AGM in April. This follows the revelation yesterday that Mr Stephan Schmidheiny, a leading Swiss financier, has bought a SFr253m ($214.6m) block of registered shares in the bank.

The bank's directors remain locked in a bitter legal battle with Mr Martin Ebner's BK Vision investment fund, its largest shareholder. Mr Ebner, who wants to shake up the bank's management, has hinted that he might propose an alternative candidate to Mr Robert Studer to become the bank's chairman at the AGM. He was also considering withdrawing various civil legal suits against the bank, which are blocking the unification of the share structure approved at a shareholders' meeting in November 1994.

However, it now appears that he will simply fight the board by encouraging other big shareholders to vote with him against the election of Mr Robert Studer, and the election of two other directors. As in the past, his main weapons are the registered shares, which have roughly five times the voting power of the bearer shares.

BK Vision itself held 4.4m UBS registered shares, nearly a fifth of the total, at the end of last year, but was restricted to voting only 5 per cent under the bank's bylaws. The past month has seen a few large transactions in the registered shares, and UBS confirmed at the weekend that Mr Schmidheiny had purchased 923,200, carrying just under 2 per cent of all the votes. Mr Schmidheiny, who is to step down as a UBS director at the AGM after 18 years service, claims he bought the shares purely as an investment, but analysts say this makes no sense. *Ian Rodger, Zurich*

Alusuisse-Lonza ahead for year

Alusuisse-Lonza, the aluminium, packaging and chemicals group, has reported a 20 per cent rise in 1995 profits before tax and extraordinary items, to SFr512m. It attributed the increase to double-digit operating profit growth from the aluminium and chemicals divisions. Net income soared 86 per cent to SFr385m, as the 1994 result was depressed by SFr255m in restructuring costs.

The directors are proposing a 25 per cent dividend rise to SFr18.75 per share, representing a 30 per cent payout ratio. Mr Theodor Tschopp, chief executive, forecast that this year's net income would "at least" equal that of 1995.

Group sales were flat at SFr7.49bn, depressed by the strength of the Swiss franc, but operating profits rose 17.1 per cent to SFr650m. Profits in the aluminium division, excluding raw materials trading, jumped 61 per cent to SFr228m, while those in chemicals were up 22 per cent to SFr220m. Packaging suffered from volatile raw material prices and the operating profit there dropped 13 per cent to SFr205m. *Ian Rodger*

Océ buys SNI printing unit

Siemens Nixdorf Informationssysteme, the computer subsidiary of Siemens, is to sell its high-performance printer division to Océ-van der Grinten, the Dutch office products company, for DM800m ($551.2m). Siemens said the division, which last year had worldwide sales of about DM900m, was no longer seen as core, and that it would be a better strategic fit with Océ.

SNI employs 2,900 people in its high-quality printing business, including 1,500 near Munich and 700 in Florida. Océ will merge the SNI operation into its own printing activities, and form a new independent business unit, which is to be headquartered in Germany. The sale of the printing business is one of the largest disposals at Siemens since the 1994 sale of the heart pacemaker division, which went for $500m.

Océ said yesterday it would enlarge its ordinary share capital by around 20 per cent to help raise the Fl 900m ($553.6m) needed to acquire the SNI business. The Dutch company, whose current market capitalisation is roughly Fl 2bn, will also ask shareholders to approve changes to its articles of association so it can issue preference shares for financing purposes.

The acquisition of the SNI business, which has annual turnover equivalent to Fl 1bn, will boost Océ's group turnover from Fl 2.9bn in 1995 to nearly Fl 4bn this year. *Ronald van de Krol, Amsterdam, and Wolfgang Münchau, Frankfurt*

SKF to invest $123m in US

SKF of Sweden, the world's biggest producer of rolling bearings, yesterday announced investments worth $123m to strengthen its position in the US car and truck markets. The group said its sales to the US automotive industry had doubled to $400m in the last five years, and it expected a further doubling by the turn of the century. Its main investment will be a plant for automotive hub units in Aiken, South Carolina. *Christopher Brown-Humes, Stockholm*

■ Heineken has confirmed its purchase of Moretti, making the Dutch group the largest brewer in Italy. The seller is Interbrew, the Belgian brewer. Under brands such as Moretti, Sans Souci, Baffo d'Oro and Labatt, the Italian brewer doubled its sales to L240bn ($153.7m), and market share to about 12 per cent, over the past five years. *Roderick Oram, London*

Akzo Nobel unhappy with 12% increase

By Ronald van de Krol in Arnhem

Akzo Nobel, the Dutch-Swedish chemicals group, yesterday blamed negative currency movements and sluggish economic growth in Europe for a disappointing 12 per cent increase in its 1995 results.

"Although the results were the best in the company's history, they fell short of our targets," Mr Cees van Lede, management board chairman, said.

Net profits rose from Fl 1.18bn to Fl 1.31bn ($805.9m), although the underlying rise was just 5 per cent if extraordinary items are stripped out of both years' figures.

Turnover fell 3 per cent to Fl 21.5bn, as unfavourable foreign exchange rates and divestments more than offset a 2 per cent increase in sales volume and an average 3 per cent rise in selling prices. The figures fell short of forecasts by many analysts, who had been expecting full-year results closer to Fl 1.36bn. The shares closed down Fl 3.40, or 1.8 per cent, at Fl 182.90, on a lower Amsterdam stock exchange.

Mr van Lede said low inflation in Europe had made it difficult for Akzo Nobel to pass on to end-users the sharply higher prices which it was forced to pay for raw materials in 1995. He also noted that the company's currency problems were wider than simply the strength of the guilder and D-Mark against the dollar. It was also hurt by currency weakness in important markets such as Spain, Italy and the UK.

The year had begun positively for Akzo Nobel, with a 19 per cent increase in first-quarter operating results, but growth quickly tapered off, leaving fourth-quarter operating profits down 16 per cent compared with the same period of 1994.

Cees van Lede: higher raw material prices hard to pass on

Of the group's four sectors, chemicals saw a drop in full-year operating profits from Fl 712m to Fl 608m, while coatings' results fell from Fl 531m to Fl 474m. Operating profits in fibres doubled to Fl 158m from their low level of 1994, while pharmaceuticals turned in the best performance, lifting operating results from Fl 655m to Fl 750m. This is equivalent to about 38 per cent of total operating profit, even though pharmaceuticals turnover represents just 18 per cent of total sales.

Despite the strong performance by pharmaceuticals, the sector was hit by controversy in the UK and Germany over the increased risks of thrombosis associated with "third-generation" anti-conception pills produced by Akzo Nobel and other chemicals groups.

Akzo Nobel said the health warnings in Germany and the UK, which it described as "panicked" and "premature", had led to substantial lost sales in both markets.

Sabena chief poised to announce resignation

By Emma Tucker in Brussels

Mr Pierre Godfroid, chief executive of Sabena, will today announce his resignation following weeks of industrial strife at the troubled Belgian national airline.

The announcement, to be made this morning following a board meeting last night, is expected to break an impasse between management and unions over pay and conditions that has lasted since November.

Mr Godfroid, chief executive since 1991, was heavily criticised for ripping up all union agreements in October, after management failed to persuade 9,500 employees to accept a wage freeze over the next three years, while increasing working hours by 5 per cent and phasing in more flexible practices. The plan was designed to return the lossmaking airline to viability.

The action led to wildcat strikes in the run-up to Christmas and since the beginning of the this year, raising questions about Swissair's decision last year to buy a 49.5 per cent stake in the Belgian carrier.

Swissair paid BFr6.5bn ($217.7m) for the stake last summer, with an option to increase this by 12.75 percentage points to 62.25 per cent after 2000. The operation formed part of a BFr10bn capital increase for Sabena, which had been suffering from a severe lack of capital.

Tensions between the two partners increased last week when Swissair warned the unions that their actions would lead to further cost-saving measures and job cuts. The company added that it was worried that "the worsening image of Sabena is beginning to reflect on the whole group – Swissair included".

Last Friday staff called off their latest strike amid hopes that unions and management would resume talks.

Mr Godfroid, former president of Campbell Europe, has been highly critical of Belgium's social security regime. He argues that high employee costs weigh heavily on Belgian enterprise, which is finding it difficult to compete against some of its European neighbours.

He is currently the airline's president, as well as chief executive. Yesterday, some Belgian newspapers speculated that these posts may be split, allowing new appointments to reflect Belgium's French/Dutch linguistic divide.

Sabena has estimated the daily cost of the strikes at BFr150m and an overall loss in revenue of BFr1bn. The airline had a BFr1.2bn consolidated net loss in 1994.

MAN profits doubled in strong first-half recovery

By Wolfgang Münchau in Frankfurt

MAN, the German truck and printing machine manufacturer, recovered from its difficulties in the previous financial year but warned the German economy was weakening again.

The company increased net profits from DM51m to DM110m ($75.8m) during the first six months of 1995-96, a rise flattered by weak previous results. The group said first-half profits had been in line with expectations. The shares fell DM10.8 to DM420.

Turnover in the half-year rose 7 per cent to DM8.67bn. Worldwide new orders fell 1 per cent to DM10.1bn, including a 12 per cent drop in Germany. MAN said the fall in orders "reflects the noticeably weakened domestic economy".

The truck division, MAN's largest business unit, suffered a 4 per cent fall in orders to DM3.59bn, while only printing machines (MAN Roland) and the machine and plant construction units reported higher orders.

The company said the fall in domestic orders for trucks was only partially compensated for by higher foreign sales. Based on the past pattern of higher turnover during the second half, MAN forecast full-year turnover of more than DM20bn, after DM18.6bn last year.

"We do not detect a clear trend from the German economy for the future order growth," the company said. "But with our high order backlog we expect continued positive turnover volumes for the second half. But we also have to digest significant cost increases from the second tranche of last year's wage agreement, which coincided with further reductions in weekly working hours."

MAN forecast the DM59m increase in net income during the first half would be "maintained or increased" in the full-year results. Analysts interpreted this statement as indicating that the absolute increase in the final-year figures would be similar or slightly higher than the absolute increase in the first-half. In its 1994-95 financial year MAN reported net profits of DM272m.

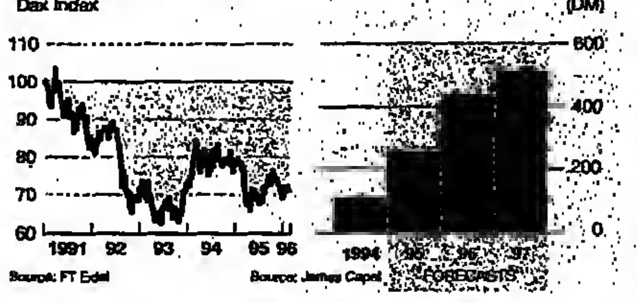
Mr Thomas Dorsch, analyst at Vereinsbank Research, said the first-half figures were difficult to interpret since this was only the second time that MAN had published half-year net profits, and last year's figures were still distorted by the last recession. "New orders were disappointing in the last quarter of 1995, but we assume the climate will improve shortly."

MAN Roland reported a 5 per cent increase in orders to DM1.15bn, with turnover up 18 per cent.

COMPANY PROFILE:
MAN

Klaus Götte chairman

Market capitalisation	DM4.9bn
Main listing	Frankfurt
Historic P/E	18.9
Gross yield	2.2%
Earnings per share	DM 22.7*
Current share price	DM 430.5



Source: FT Extel Source: James Capel

Allianz shows improvement to DM3bn pre-tax

Andrew Fisher in Frankfurt

Allianz, the German insurance group, yesterday announced a steep increase in its results for 1995, with pre-tax profits a third higher at just over DM3bn ($2.1bn) and net income up even more sharply because of a virtually unchanged tax bill.

The Munich-based concern, Europe's largest insurer and one of the biggest in the world, plans to increase its dividend by DM1 to DM16 a share.

Allianz said its better than expected performance reflected improved claims experience in many markets, the absence of large natural catastrophes, and profit-oriented selection in its insurance portfolio to weed out high-risk business. The upturn in capital markets also helped investment earnings.

As foreshadowed in December, premium income moved more sluggishly than profits, rising 7 per cent to more than DM70bn. But for the strength of the D-Mark, the rise would have been 9 per cent. Foreign acquisitions were responsible for the increase, with DM5bn of premium income stemming from the first-time consolidation of Elvia Group (Switzerland), Lloyd Adriatico (Italy) – both bought from Swiss Reinsurance – NVS Salland (the Netherlands) and Allianz Mexico.

Allianz said its tax charge would show little change from last year's DM930m, mainly because of the use of some DM1.4bn of losses carried forward from Deutsche Versicherungs-AG, the east German insurance operation bought in 1990. Allianz said the activities, which had required heavy investment, were now in profit.

It gave no group earnings figure, but said the rate of increase at the net level would be greater than before tax. Analysts said this would put net income at around DM2bn compared with DM1.34bn in 1994. Earnings per share – DM56.60 in 1994 – would benefit both from the stable tax charge and the increase in underlying profitability.

Allianz said its underwriting result again improved.

Improvement in the capital markets led to a marked decrease in depreciation on the group's wide spread of shareholdings. Current income from the expanded investment portfolio also increased, despite declining returns on new investments as a result of lower interest rates.

● Allianz yesterday announced that Mr Wolfgang Schieren, head of its supervisory board and former chief executive, had died at the weekend, aged 68.

GAN may partially privatise CIC by year-end

By Andrew Jack in Paris

CIC, the French bank controlled by GAN, the state-owned insurance group, could be partially privatised before the end of this year, the chairman of GAN said yesterday.

Mr Jean-Jacques Bonnaud said in an interview that he believed shares in CIC could be sold to outside investors within the next "six months to one year".

The news will rekindle interest in CIC by potential acquirers. The bank is seen as an attractive asset, with an important high-street network and little exposure to the property lending burdening its competitors. These loans have been stripped out and are now managed directly by GAN.

It comes after GAN approved late last Friday the nomination of Mr Bernard Yoncourt, an experienced banker who has previously worked at CIC, as the new chairman. He replaces Mr Jean-Pierre Aubert, whose mandate expires in March.

The nomination came in spite of political pressure by the office of Prime Minister Alain Juppé to hire one of his own advisers, Mr Pierre-Mathieu Duhamel, appointed.

After the details of Mr Juppé's intentions were leaked in the French press, creating considerable controversy and debate, Mr Duhamel's nomination was withdrawn.

Mr Bonnaud said it was a "milestone" in French corporate evolution that Mr Yoncourt was appointed, stressing the importance of a professional over a political nominee, and said it reflected a move away from a more "Colbertist", state-managed way to run the economy.

A number of leading rivals including Société Générale, and some foreign banks, have already expressed interest in acquiring a stake in CIC.

The French government has already appointed SBC Warburg, the investment bank, as its adviser on the sale of CIC shares. GAN has named J.P. Morgan as its own adviser.

GAN hopes to use the proceeds as part of its own efforts to strengthen its balance sheet ahead of eventual privatisation.

The 1994 accounting value of the assets of CIC was FFr13.5bn, which will be enhanced by an additional FFr600m in profits generated for 1995, according to preliminary figures out recently.

● Thomson yesterday confirmed that its planned joint venture on sonar systems with GEC of the UK will be signed "in the coming weeks", despite the announced privatisation of the French state-owned electronics group and the change of its president, writes David Buchan in Paris.

A Thomson board meeting will today endorse the appointment of Mr Marcel Roulet, a former head of France Télécom, to succeed Mr Alain Gomez as president. However, discussions about a But talks between Thomson-CSF, the defence electronics part of the Thomson group, and GEC have been dropped with Mr Gomez's departure.

Waste management business bolsters RWE result

By Judy Dempsey in Berlin

RWE, Germany's largest energy group, expects increased profits this year, despite a slowdown in sales for the first six months, to December 31.

Interim net profits rose 5.5 per cent from DM504m to DM532m ($365.6m) compared with the same period the previous year. Sales grew 0.6 per cent, from DM32.3bn to DM32.5bn, with the waste management and mechanical and plant engineering divisions showing the strongest growth.

Despite the cold weather during the last two months of 1995, sales in RWE's energy division, which accounts for nearly a third of the group's total turnover, fell 0.3 per cent to DM10.6bn. A decline in the interconnected power exchange business was partly responsible for the fall in turnover.

Sales in the mining and raw materials division also declined, by 6.7 per cent from DM2.6bn to DM2.4bn, with production at Veag, eastern Germany's largest electricity group which is partly owned by RWE, dropping 2.6 per cent. However, Consul, the US coal mining company in which RWE holds a 50 per cent stake, reported a $130m profit for the full year, and is poised to show higher growth and profits this year.

Sales in the petroleum and chemicals division fell 3.4 per cent from DM12.1bn to DM11.7bn, which was blamed largely on a decline in petroleum consumption and slack demand for chemicals. But Vista, RWE's US chemicals subsidiary, and EniChem Augusta, its Italian chemicals subsidiary, closed with a profit.

The waste management division, once RWE's weakest sector, almost broke even for the first time. Sales increased 31.3 per cent from DM500m to DM700m with the recycling sector, after discounting first-time consolidations, showing sales growth of 16.2 per cent; in the waste diaposal business there was an adjusted sales decline of 16.2 per cent. The higher sales overall follow a restructuring in which RWE merged its small and medium-sized companies and reorganised its activities in the US, which included withdrawing from the hazardous waste market.

Sales also surged in mechanical and plant engineering, rising 16.5 per cent from DM2.8bn to DM3.3bn, with the printing press sector showing the strongest growth.

Meanwhile, in line with other companies, Hochtief, RWE's construction division, was hit by the end of the construction boom in east and west Germany. Hochtief's sales fell 2 per cent from DM3.7bn to DM3.6bn.

Sharp rise but Metsä warns of tough year ahead

By Christopher Brown-Humes in Stockholm

Metsä-Serla, the Finnish pulp and paper group, yesterday announced a strong increase in 1995 profits, but warned results this year would be lower due to weaker prices. The shares fell FM3 to close at FM138.

The FM1.91bn ($423.7m) profit, against FM786m in 1994, was above market expectations and came after a 38 per cent jump in turnover to FM13.1bn.

But the company said the spectacular surge in prices which underpinned its 1995 figures had faltered. A sharp fall in pulp prices and price reductions for some paper grades indicated that the forestry cycle had peaked in the third quarter of last year.

The group warned that long-fibre pulp prices, which have dropped to $725 a tonne from $1,000 since November, could fall further without production cutbacks to reduce inventories. Orders for coated magazine paper were also weak and production cuts expected.

The group was more optimistic about the outlook for fine paper and paperboard, saying orders had picked up since the end of the year. It said it expected growth in west European paper and board demand to exceed last year's 2 per cent, due to lower destocking this year.

Metsä forecast lower profits for 1996, even though it expects turnover to expand to FM16bn following recent acquisitions and its strategic collaboration with Myllykoski, another Finnish forestry group. Metsä has bought 35 per cent of Myllykoski Paper and a 50 per cent stake in Myllykoski's German subsidiary, Albbruck, for FM1.6bn. It has also teamed up with Myllykoski to buy MD Papier, the Germany magazine and speciality papermaker, for FM1.25bn.

Analysts expect Metsä and Myllykoski to merge eventually, giving them the muscle to take on fellow Finnish forestry giants United Paper Mills-Kymmene (now Europe's largest pulp and paper company) and Enso-Gutzeit, which is combining with Veitsiluoto.

The strong rise in Metsä's 1995 turnover came despite an 11 per cent increase in the value of the markka. Operating profits rose 136 per cent from FM926m to FM2.2bn. The best performance came from the group's base products unit, including pulp and sawn goods, where operating profits surged from FM530m to FM1.80bn. The paper and board businesses lifted their contribution from FM187m to FM359m.

The disappointment was the tissue and packaging division, where profits fell from FM319m to FM268m because of higher raw material costs.

The group lifted its dividend from FM5 per share to FM7 per share.

INTERNATIONAL COMPANIES AND FINANCE

Oracle unveils low-cost Internet accessing device

By Louise Kehoe in San Francisco

Oracle, the leading database software company, yesterday gave the first public demonstration of a Network Computer, a low-cost device for accessing the Internet.

The much-touted device, which Mr Larry Ellison, Oracle's chairman and chief executive, said would sell for less than $500, is due to come to market later this year. Several large consumer electronics and computer manufacturers hava expressed interest in producing Network Computers, be added.

Mr Ellison has talked to leading electronics companies in Asia and the US, and "nobody has said no", or rejected the idea out of hand, he said. To date, however, no contracts have been signed.

At a meeting of software developers in San Francisco yesterday, Mr Ellison showed a prototype Network Compnter sending and receiving electronic mail over the Internet and accessing pages on the World Wide Web, the multimedia segment of the global network.

Plugged into a TV set, the Network Computer produces a picture that is not as crisp as a typical computer display. By using a TV set as a display, however, costs can be minimised.

Oracle does not expect a mass market to develop until the end of the decade. By then, the company predicts annual sales of 30m to 79m units.

The market for Network Compnters will depend upon the availability of high speed networks, said Mr Laursen. Current access speeds, using standard telephone lines, are too slow for Internet access to appeal to consumera, be explained.

Oracle is planning to begin Network Computer market trials with schools and cable TV companies later this year, Mr Laursen added.

● Motorola of the US has signed an agreement in principle with Sun Microsystems to set up a strategic alliance to build Internet access that will allow cable TV operators to deliver high-speed data aod services in the home.

The company said the venture would accelerate the introduction of high-speed data networks through the US.

A suitable case for the Bombardier treatment

The Canadian group is expected shortly to decide whether Fokker is to be its next rescue project

The de Havilland Dash 8: an extended versioo is planned

Since entering tha aerospace business less than a decade ago, Bombardier has built a reputation for buying lossmaking businesses with government support, and turning them around.

Bombardier's interest in Fokker, the troubled Dutch aircraft maker, should surprise no one who has watched the Canadlan company evolve from a maker of snowmobiles for doctors and morticians in rural Quebec into a multinational aerospace aod rail equipment supplier.

Fokker said last week it expected the Canadian group to decide on a bid by the end of February, when the Dutch government is due to end its financial support.

If history is any guide, however, Bombardier will not be rushed into a deal by other parties' deadlines.

"Governments don't come to the rescue of Bombardier – it's the other way round," said one Canadian aerospace expert.

Bombardier weighs the turnround chances carefully, and must be sure of getting good management, sound technology and prodncts with long-term growth potential, component orders to offset down cycles, tight cost control, good labour relations and sufficient financial return.

In return, it invests heavily in design, production equipment and people.

Bombardier's rcots go back to the late-1920s when Mr Joseph-Armand Bombardier, a strong-willed mechanic, began converting old Ford and Dodge cars into snowmobiles.

The company, which is based in Montreal, has 37,000 employees with plants in Canada, the US, Mexico, Austria, Belgium, Finland, France, Germany and the UK. Sales in the year ended January 31 are estimated at about C$7bn (US$5.1bn), with about half coming from its aerospace interests. Analysts have forecast net profit of C$327m for this year, up from C$241m in 1995.

Bombardier's first foray into aerospace came less than a decade ago with its acquisition in late 1986 of Canadair from the Canadian government. Canadair, which was struggling to remain afloat, was best known for its Challenger business jet, water-bombers and defence equipment.

Under the deal, which was three months in the making, the government wrote off Canadair's C$1bn debt. Bombardier paid C$120m plus royalties on future Challenger sales.

It was estimated at the time that Ottawa could have raised C$300m from selling Canadair's assets piecemeal, but the government was under strong political pressure to keep the company intact as a mainstay of Canada's aerospace industry and a big employer in Mootreal.

Canadair set the pattern for later acqulsitions, including Shorts, the Belfast-based aerospace group which Bombardier bought from the UK government; and de Havilland, the Canadian commnter aircraft maker, in which Bombardier holds a 51 per cent stake (the remaining 49 per cent is owned by the Ontario government).

Bombardier also bought Learjet, the US business jet maker, which was struggling to avold collapse. In each case, the target company has been restructured and modernised, and its product line broadened.

The group has applied a similar formula to its rail equipment business, buying lossmaking companies in Belgium, France, the UK and Canada.

Bombardier has had setbacks, including unsuccessful moves into diesel locomotives and military vehicles and cost overruns on a C$650m order for Channel Tunnel shuttle cars.

A dispute over the shuttle cars was settled with Bombardier acquiring nearly 30m Eurotunnel shares, equal to just over 3 per cent of the total. The shares have a book value of C$280m.

Fokker would bring significant benefits to Bombardier, provided the price was right. The two companies' marketing network would be merged, with Bombardier gaining mainly from Fokker's experience in Europe and Asia.

By saving Fokker, the Canadiao company would also save many jobs at Shorts, which makes wings for Fokker aircraft.

But it remains to be seen how Fokker would mesh with Bombardier's product line. Fokker's 70- and 100-seat aircraft are larger than any of Bombardier's current products.

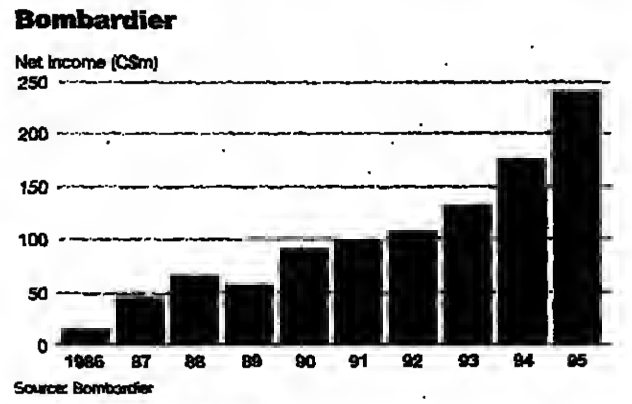
Mr Tom Appleton, executive vice-president of the regional jet dlvision, said earlier this month that "you go over 90 seats and you are up against Boeing and Airbus".

However, Bombardier is planning a 70-seat version of its 50-seat Canadair regional jet, as well as an extended version of the de Havilland Dash 8 turboprop commuter aircraft.

Another project under way is the Global Express, a large business jet able to fly nonstop between New York and Tokyo. The Global Express is due to make its maiden flight later this year.

Bombardier is still controlled by its founder's descendants. Mr Laurent Beaudoin, chief executive, is Mr Bombardier's son-in-law. Mr Beaudoin, who has led the company for more than two decades, said recently: "I wanted to show that Canadians can build an efficient international manufacturing group, and we've achieved that against big odds in a very short time".

Robert Gibbens and Bernard Simon



AMERICAS NEWS DIGEST

Saskatchewan to sell Cameco shares

The Canadian Province of Saskatchewan is selling 10.5m shares of Cameco, the west's biggest uranium producer, via an international secondary offering, for more than C$700m (US$509m). Its stake will fall from 29.5 per cent to 9.6 per cent. Cameco holds the west's largest uranium reserves in north Saskatchewan and owns one-third of the US$400m Kumtor gold mine being developed in Kyrgyzstan.

Cameco's share price has doubled in the past year, giving the government's Crown Investments body an opportunity to reduce its stake. Cameco has a total of 52.7m shares outstanding, giving it a market capitalisation of C$3.7bn. The price was firm yesterday at about C$70 a share.

The Cameco shares are being offered in North America and internationally by an underwriting group led by Nesbitt Burns, Goldman Sachs and RBC Dominion Securities. The total includes 1m shares to cover expected over-allotments. Cameco will list shares on the New York Stock Exchange. Payment can be made in two instalments, first in mid-March and the second in mid-March 1997. *Robert Gibbens, Montreal*

Oil side holds Horsham back

Horsham, the principal holding company of Toronto financier Mr Peter Munk, was held back by losses at its US oil refining unit in 1995. Horsham, besides owning 16.3 per cent of Barrick, one of the world's leading gold producers, also has 48 per cent of Trizec, the big publicly-traded property group; and 46 per cent of Clark Refining.

Net profit for 1995 was US$53.3m, or 51 cents a share, down from $178.7m, or $1.68 in 1994. Excluding special gains, earnings were $22.3m, or 22 cents a share, against $42.7m, or 41 cents. Clark incurred a loss of $30.5m, against a profit of $4.4m, because of weak refining and retailing margins. But it has doubled refining capacity, raised $250m in new equity and improved cash flow significantly. Horsham's 100 per cent interest was reduced to 46 per cent by December 1 and Clark is no longer being consolidated in Horsham's results.

Trizec continued to realign its North American portfolios of commercial properties to improve profitability. Barrick posted record results for the 10th year running. Horsham's fourth quarter net profit was $11.5m, or 11 cents a share, against a loss of $8.8m, or 8 cents. Excluding a special gain, earnings equalled 5 cents a share against 8 cents last time.

Robert Gibbens, Montreal

Zenith hit by lower TV sales

Zenith Electronics, the US consumer electronics group, was hit by lower colour television sales and selling prices which contributed significantly to its 1995 quarterly loss. It reported a fourth-quarter deficit of $24.6m, or 45 cents a share, compared with a year-earlier loss of $3.3m, or 7 cents a share.

Non-recurring and unusual items accounted for more than $14m of the difference between the 1995 and 1994 quarters. The 1995 period included almost $4m of expenses resulting from a transaction completed in November with LG Electronics which increased its holding to 57.7 per cent of the outstanding shares in Zenith. The quarter also includes a $4m reserve for environmental and other liabilities.

Fourth-quarter results also included a $3m loss on asset sales in 1995 against a $4m gain in 1994. Zenith attributed the 1995 sales decline to soft industry conditions in consumer electronics, lower selling prices, and significantly lower colour television sales in Mexico due to the peso devaluation in December 1994. Sales for the quarter fell from $453.5m to $394.7m, and for the year fell 13.3 per cent to $1.27bn.

Reuter, Glenview, Illinois

Argentine group to sell assets

Sociedad Comercial del Plata, the Argentine conglomerate with interests in energy, public services and entertainment, is planning to dispose of "non-core" assets to reduce its debt ratios. Mr Santiago Soldati, the chairman whose family owns about 45 per cent of the company's shares, said in London the aim was to reduce the group's debt-to-equity ratio from about 1.6 per cent now to 0.6 per cent by the end of 1997.

He would not define the non-core assets. But a research report from Paribas Capital Markets to accompany the expected launch this week of a $100m two-year eurobond says non-core assets include stakes in the Rosario-Bahia Blanca railroad, an insurance company, and a mobile telephone network. They also include a 55 per cent interest in Agar Cross, an agribusiness joint venture with Du Pont, and a construction company.

The sales could raise $100m, the report says, and the group has retained J.P. Morgan for the disposals. The company, which over the past four years has grown rapidly in the oil and gas sectors and through participation in privatisations, is also trying to reduce its short-term debt, now standing at some 55 per cent of tha total, to about 30 per cent.

The eurobond, the first from an Argentine company this year, follows a SFr60m ($51m) private placement in December and is expected to carry a coupon of 10¼ to 10¾ per ceot.

Stephen Fidler, Latin America Editor

■ BioChem Pharma, the Canadian associate of Glaxo Wellcome in anti-Aids drug development, is raising C$219m (US$159m) via a public stock offer at C$62.56 a share in North America and Europe. The proceeds will be used to expand internationally, for research, and for developing new products. BioChem, 18 per cent-held by Glaxo, makes vaccines and diagnostic and therapeutic products. *Robert Gibbens*

Hang Seng Bank 8% ahead at net level

By John Ridding in Hong Kong

Hang Seng Bank, the listed subsidiary of HSBC Holdings and Hong Kong's second largest quoted bank, yesterday announced net profits of HK$7.98bn (US$1.03bn) for 1995, an increase of almost 8 per cent on its 1994 result.

The relatively modest rise, which compares with a 26 per cent increase at the operating profit level, reflected a sharp fall in exceptional gains from the sale of assets and investments.

Profit from this source halved to about HK$1.1bn last year, compared with 1994, while operating profits rose to HK$7.89bn.

Mr Alexander Au, chief executive, expressed satisfaction with the result, which was largely in line with analysts' predictions. He cited a strong increase in interest income and "encouraging growth" in fee-based earnings.

However, Mr Au warned of intensifying competition in the Hong Kong market, which has seen a reduction in mortgage spreads over recent months as banks and credit companies have battled for business.

During 1995, Hang Seng's interest income rose by almost 45 per cent. The increase reflected the rise in customer advances, higher yields on interest-free funds, and an improved return on assets. Interest expenses were boosted by the rise in the cost of funds. But this only partly offset the increase in net interest income which rose by 31.5 per cent to HK$8.4bn.

Trade finance and credit card activities contributed to an increase in earnings from fee-based business, while profits from foreign exchange dealing roae 18 per cant to HK$77m.

However, a decline in dividend income and rental earnings limited non-interest related income to HK$2.6bn, a rise of 5.7 per cent.

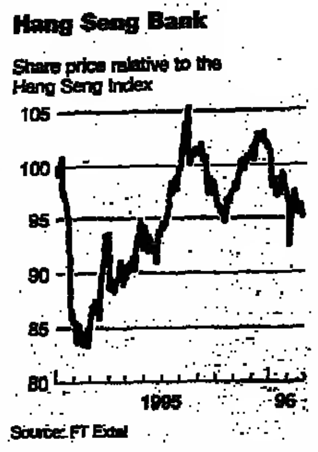
Like many of Hong Kong's big banks, Hang Seng has sought to extend its operations into China as a means of diversifying from the colony's maturing market.

Its first branch in Guangzhou was opened last December, while Mr Au said that Hang Seng had applied to upgrade its Shanghai representstive office to branch status.

The net charge for bad and doubtful debts totalled HK$131m, compared with HK$41m for 1994, but remained a modest amount, according to the Hang Seng chief executive. He said total assets had risen 13.5 per cent to HK$345.2bn at the end of 1995, and that the average return on assets remained steady at 2.5 per cent.

Hang Seng Bank predicted an improvement in economic conditions in Hong Kong this year, after the slump in retail spending in 1995 and a sharp fall in the property sector.

But Sir Lee Quo-wei, chairman, said the increasa in competition, pressure on interest margins and rising costs would require "redoubled efforts" to maintain profit growth.



The banking group announced that dividends per share would be increased by 7.8 per cent to HK$2.90. Earnings per share rose 7.7 per cent to HK$4.13.

Telecoms growth helps Metro Pacific double profits

By Edward Luce in Manila

Metro Pacific, tbe Philippine flagship of Hong Kong-based First Pacific, more than doubled net profits last year to 513m pesos ($19.6m) owing to strong growth in its telecommunications and consumer goods subsidiaries.

The dilution of part of Metro's equity in Smart Communications – one of the main competitors of the Philippine Long Distance Telepbone Company in the recently-liberalised market – with the purchase of 40 per cent of the subsidiary by Nippon Telegrapb and Telecommunications boosted Metro's earnings, the company said yesterday.

Smart, whicb last year posted its first profit – due mainly to the rapidly expanding cellular phone market – is axpected to be listed separately within 18 months. Total mobile phona subscriptions were 116,000 in 1995.

Strong growtb in Metro's packaging and consumer goods arms helped lift profits by 122 per cent. The divestment of Metro'a distribution business and a 5bn peso equity issue last year helped reduce tha group's debt equity ratio from 1:1 to 0.48:1, the company said.

The group, which last year led the winning consortium to buy a 214 ha prime real estate site in Manila for 39bn pesos – the largest property deal in Philippine history – also announced yesterday plans for a $125m convertible eurobond issus later this year.

The proceeds of the issue, Metro's first international offering, would be used in part to finance the development of the Fort Bonifacio site by Bonifacio Land Corporation, in which Metro Pacific has a 40 per cent stake. Lots in Fort Bonifacio are not expected to come on stream for several years, bnt executives say that offers to pre-buy parcelled sites would dispose of 24 ha immediately.

Bonifacio Land was widely criticised last year for purchasing the site at a record 33,000 pesos/sq metre. But executives point out that the company has already had offers of around 160,000 pesos/sq m.

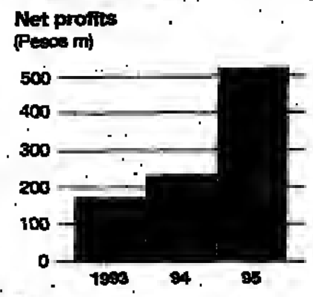
Decision to lead consortium for Fort Bonifacio has been 'more than vindicated'

"Metro's decision to lead the consortium for Fort Bonifacio has been more than vindicated by subsequent movements in the real estate market," said Mr Matthew Sutherland, chief researcber at Asia Equity Securities in Manila. "If it wanted, Bonifacio Land could dispose of much of the site this year at a thumping profit." But he said it was more likely to sell over a longer period.

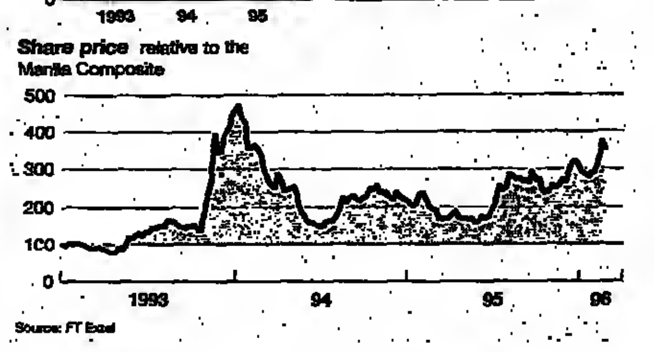
The site, which is adjacent to Manila's main business district and is expected to taka 25 years to develop, bas been billed by Metro as the country's first "21st century city". Metro started out with a stake of 25 per cent but has since bought out smaller atakebolders, lifting its share to 40 per cent.

Brokers say that Metro's shares appear decaptivsly expensive at a p/e of 22 – well above the composite average of 18. The shares, which closed yesterday at 6.30 pesos – well up on last week – could be more accurately measured at net asset value owing to the company's long-term earnings expectations. Investments in its mainstream real estate and telecommunications arms would take several years to show results.

COMPANY PROFILE:
Metro Pacific



Market capitalisation	$658.2m
Main listing	Manila
Historic P/E	22
Gross yield	0.46%
EPS	Centavos 18.9
Current share price	Pesos 6.3



A$29m charge puts Ampolex in the red

By Nikki Tait in Sydney

Ampolex, the Australian energy group which is facing a possible hostile A$1.24bn (US$938.3m) takeover bid from an offshoot of Mobil, the US oil group, yesterday announced an after-tax loss of A$11.6m in the six months to end-December. In the same period of 1994-5, it made a profit of A$21.5m.

The loss came after a A$29.7m abnormal charge, mainly reflecting a loss on an asset sale and a provision for the write-down of certain exploration assets.

However, even at the pre-tax level, Ampolex saw profits dip by almost 20 per cent, to A$46.5m.

Total revennes were A$205.4m, compared witb A$216.8m a year earlier.

The company blamed the downturn on a decline in oil production to 7.6m barrels, compared with 8.9m a year ago. It said that an inventory of 615,344 barrels of unsold oil existed at end-December, which it hoped to sell over coming months.

Gas production, however, increased by 2.4 per cent, to 10.3bo cu ft, largely due to increased gas production from Australian fields.

Commenting on the Mobil bid, Ampolex said this had demonstrated the company's "significant realisable value" – both in its producing assets, which include an interest in the Kntubu field in Papua New Guinea, and in its undeveloped gas resources in Australia, PNG and Argentina and in its exploration acreage.

"While Ampolex will not make any further comments on the Mobil proposal, beyond its previous statement that the proposal is currently deficient and does not recognise long-term strategic value, until and if a formal takeover proposal is received ,... it is important for shareholders to consider the company's value," it said in a formal statement.

Ampolex added that its short-term focus would be to extract "maximum value" from its portfolio, by trying to commercialise the large gas resourcas and target high value exploration opportunities.

Mobil has yet to lodge a formal takeover proposal, but is expected to do so shortly. The US group has also acquired a 14.89 per cent stake in Ampolex. Ampolex had been seen as vulnerable to a bid for some months because its shares had fallen sharply in the wake of complex litigation with Sir Ron Brierley's Guinness Peat over tha correct rate of conversion for Ampolex's convertible notes.

Higher metal prices lift Comalco sharply

By Nikki Tait

Higher metal prices belped Comalco, the integrated aluminium producer which is controlled by the RTZ-CRA mining group but listed separately on the Australian stock exchange, register a profit after tax of A$232.3m (US$175.6m) in 1995, against A$119.4m in the previous year.

Revenues were 7.7 per cent lower, at A$2.17bn, but this was partly due to the sale of the US-based Commonwealth Aluminium subsidiary.

The after-tax figure was also reached after an extraordinary charge of A$42m, relating to the sale of downstream businesses generally, and a smaller A$3.8m abnormal surplus. The latter was made up of profits on another asset sale, partially offset by an increase deferred tax liabilities.

Tha group's operating profit, bowaver, surged from A$107.5m in 1994 to A$264.8m last year, with tha increase level of primary aluminium prices "contributing largely to the rise".

Comalco said that this was most marked in the first half, with the impact "dampened somewhat in the second half with the restart of idled smelter capacity and weaker-than-expected demand for aluminium in major markets".

It said that its controversial policy of encouraging employees to switch to individual staff contracts had been accompanied by "improved work efficiency and changed work practices.

Comalco reports its profits on a "joint venture basis".

On a statutory accounting basis, net profit for 1995 was A$253m.

ASIA-PACIFIC NEWS DIGEST

ABB India scores 23% gain for year

Asea Brown Boveri Ltd, the Indian subsidiary of the worldwide industrial engineering group, reported net profits of Rs635.3m ($17.24m) for calendar 1995, a 23 per cent increase on the previous year's Rs507.8m. Net sales rose 45 per cent to Rs8.94bn, while total income increased from Rs6.43bn to Rs9.18bn. Profit before tax amounted to Rs1bn, compared with Rs788m a year earlier.

Following the merger last month of the transportation activities of ABB Zurich with those of Daimler Benz of Germany, ABB has hived off its transportation business in India, for which it will receive Rs831m from ABB Daimler Benz Transportation (India). The transportation business constitutes 5 per cent of ABB's turnover.

ABB, which plans to invest $1bn in its Indian operations in the next seven years, introduced several products and services last year, including new generation digital DC drives, controllers and a new range of low-voltage apparatus. It also obtained its first large export order from the ABB group for large fans, making India a global sourcing centre.

Shiraz Sidhva, New Delhi

Pre-tax slips 13% at Kikkoman

Kikkoman, the world's largest producer of soy sauce, suffered a 13 per cent decline in pre-tax profits in the year to December. The fall in profits to Y4.82bn ($45.96m) from Y5.5bn came on sales that were lower by 2.4 per cent to Y140.2bn, against Y143.6bn. Net profits were 55 per cent down to Y1.92bn, compared with Y4.3bn.

The company, which has a 30 per cent share of the domestic soy sauce market, blamed the decline in profits on growing moves by consumers to lower-priced products. Kikkoman has maintained a high-quality brand image but is struggling in the face of growing private brands and other low-priced competitors.

In the current business year, Kikkoman does not expect to improve its results significantly. Sales are forecast to rise to Y143bn but pre-tax profits are expected to stay flat at Y4.8bn, while net profit will be slightly higher at Y2.3bn.

Michiyo Nakamoto, Tokyo

Air New Zealand marks time

Slower growth in the numbers of tourists visiting the country, the impact of the eruption of Mount Ruapehu in the central North Island, and a strike by air traffic controllers saw Air New Zealand's profits fall by NZ$5m to NZ$135m (US$91.3m) in the half-year to December 31.

Directors said the full year's profit would be close to last year's record, although tough competition on some routes to Australia and Asia, and a stronger New Zealand dollar, were dampening sales in some markets.

Short-term visitor arrivals to New Zealand grew by 6.5 per cent, less than half the 14.3 per cent growth recorded in 1994. However, the number of New Zealanders travelling overseas rose 11 per cent compared with 3 per cent in the previous last year. During the period Air NZ increased international seat capacity by 17.3 per cent. This depressed load factors from 70.7 per cent to 68.4 per cent. Revenues rose 13.5 per cent to NZ$1.19bn. Earnings from international travel rose 5.4 per cent to NZ$900m, while domestic sales rose NZ$4m to NZ$250m. income from engineering, charters and other activities fell.

Earnings per share were 60.9 cents against 63.2 cents a year earlier. The company is paying an unchanged interim dividend of 8 cents a share.

Terry Hall, Wellington

Foster's takes over winemaker

Foster's Brewing, the Australian brewing group, said yesterday it had formally assumed ownership of Mildara Blass, the winemaker, after acquiring 98.58 per cent of the premium vintner. "In accordance with the Corporations Law, [Foster's] will now compulsorily acquire the remaining shares," it said.

Mr Ted Kunkel, chief exectitive officer of Foster's said: "It is our intention that the resources of [Foster's] will contribute to building Mildara Blass into a major national and international wine business."

Reuter, Melbourne

In the fight against disease, this could be the most powerful weapon yet.

It's not magic. But it may yet work miracles.

This is the trademark of a completely different kind of pharmaceutical venture.

The recently-merged Pharmacia & Upjohn.

It's a partnership that has created a company of quite remarkable depth and scope: over 30,000 people working in 50 countries and serving 200 million people around the world.

And it's for those 200 million people that this announcement should come as very good news.

Because the merger will give two pools of specialised medical talent the opportunity to work together for the first time ever.

Resulting in real, tangible benefits in the fight against cancer, AIDS, infectious diseases and many other medical conditions.

This merger is not simply a matter of shared resources, however.

It is also about shared ideals.

Our trademark stands as a symbol for humanity, hope and inspiration.

Values that we intend to apply to every single aspect of the way we do business.

You are surprised to hear such sentiments coming from a global pharmaceutical company?

This is not the last time we'll be surprising you.

You can be sure of that.

Pharmacia & Upjohn

COMPANY NEWS: UK

Group quashes rumours it is planning to acquire Clerical Medical

Abbey tops £1bn for first time

By Alison Smith, Investment Correspondent

Abbey National, the UK bank, said yesterday it was interested in buying a life assurance company, but added that it was not about to make a large acquisition.

The statement, which came as the group announced a 10 per cent rise in pre-tax profits to just over £1bn ($1.54bn) for the first time, suggests Abbey does not regard itself as the favourite to acquire Clerical Medical, a mutual life assurer seeking bidders. This appears to leave National Westminster Bank and Fortis, the continental European insurance group, as the front-runners.

Lord Tugendhat, Abbey chairman, said: "There is clearly a number of well-established life assurance societies considering giving up mutuality, and a number of them are considering joining with larger companies. We are keeping a close eye on everything that is happening."

In contrast to some of the other large financial groups eyeing the life assurance sector, Abbey already has a brand – Scottish Mutual – which enables it to sell through independent financial advisers. However, it is keen to increase its funds under management from £6bn.

Following last week's announcement by Nationwide Building Society, the UK's second largest, that it planned to improve rates for customers and work on a narrower interest margin, Abbey reiterated its assertion that the move was short-term and unsustainable.

Abbey's own retail spread rose from 2.04 per cent in 1994 to 2.15 per cent last year. Abbey's market shares of new net lending and of new retail savings last year were 9.2 per cent and 3.4 per cent, below the levels it would normally expect to achieve given its size.

Abbey's cost to income ratio rose from 42.9 per cent to 43.9 per cent as total operating expenses rose by 15 per cent to £870m.

Mr Peter Birch, chief executive, is likely to retire at the end of next year when he becomes 60, underlined the prospects for cost savings from the planned acquisition of National & Provincial Building Society later this year. Abbey is committed to finding £50m in cost savings, partly from the closure of more than 100 N&P branches as soon as the deal goes ahead.

The group's continental European operations recorded a loss, although at £22m it was an improvement on 1994's £36m. However, Mr Tim Ingram, in charge of the European businesses, refused to indicate when they might become profitable.

See Lex

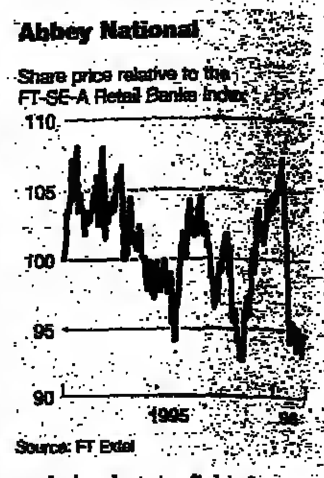
Ashley Ashwood

Lord Tugendhat (l) and Peter Birch: Keeping a close eye on events

LEX COMMENT

Abbey National

In a way, Abbey National's results were too good. With mortgage wars breaking out, Abbey's handsome 2.2 per cent margin between retail lending and borrowing sticks out like a sore thumb. At a time of pheoomenal profitability in the banking sector – not to mention an aggressive counter-attack from building societies – these fat margins cannot be sustained. Abbey may well refuse to get sucked into a price war over its existing customers. But being so much more dependent on mortgages than its quoted competitors, the group has no choice but to fight for new business. As the results show, this is painful. Abbey has brought its share of new mortgage lending back up to 9 per cent, but even this unremarkable result meant more than tripling the cost of discounts and cash-back deals to new customers. Depositors' willingness to put up with low rates helps for now.



Source: FT Extel

But as Abbey recognises, the only sensible long-term strategy is to reduce its over-dependence on mortgage-lending, moving in precisely the opposite direction from last year's acquisition of National & Provincial. Expanding the life assurance operations would make good sense. But there is no hidden pot of gold in selling life assurance to Abbey customers. Abbey National Life already does it. Moreover there are two big risks in taking on another life assurer. It could over-stretch management and if it appears too eager, Abbey could end up overpaying, as it did for N&P. Both risks are real.

Further Smith New Court resignation

By Nicholas Denton

Merrill Lynch, the US investment bank which acquired Smith New Court, struggled yesterday to soothe its fractious equity research division after the resignation of another senior executive.

Mr Bruce Davidson, head of UK research, was the latest and most senior casualty of a bitter cultural clash between analysts from the US investment bank and those taken on from the UK marketmaker.

With Mr Davidson's resignation and Friday's defection of Mr Richard Dale, deputy head of UK research, Merrill has lost the two most senior executives in equity research to come from Smith New Court.

Their departures bring to at least 14 the number of departures from Merrill's combined European research staff of 120 since the announcement of the acquisition of Smith New Court for £526m in July.

Mr Paul Roy, head of European and Asian equity sales and trading, yesterday held an unscheduled meeting with analysts to restore morale in the department and staunch the flow of defections.

Merrill said Mr Charles Lambert, a chemicals analyst from Smith New Court, would take over as head of UK research and pan-European sector research. Mr James Culberwell, a pharmaceuticals analyst from Merrill, will be his deputy.

Mr Andre Sharon, the Merrill executive who clashed most acutely with Mr Davidson and Mr Dale, remains overall head of European research. But he will cede much day-to-day responsibility to Mr Lambert and concentrate on Merrill's growing operations in Spain, eastern Europe and South Africa.

The conflict between Mr Sharon and the former Smith executives arose out of differences between the two firms on how they research and publish analyses of companies. Some UK analysts resisted Merrill's emphasis on pan-European research. They also resentedthe delays in publication of reports imposed by Merrill's insistence that they be vetted by a compliance department.

Although some staff described the disputes as virtual "civil war", Mr Roy said they were "teething problems".

Midland rises 10% to £998m

By George Graham, Banking Correspondent

First Direct, the telephone banking operation set up in 1989 by HSBC's Midland Bank, recorded its first full year of profits in 1995.

HSBC does not disclose profits figures for First Direct, but Mr Keith Whitson, Midland's chief executive, said its results were "not to be sniffed at". First Direct contributed to a 10 per cent increase in Midland's pre-tax profits to £998m ($1.54bn).

Net interest income rose 4 per cent to £1.91bn despite a fall in average interest margin from 2.86 per cent to 2.77 per cent. Midland attributed the increase to higher shares of the mortgage and corporate lending markets.

Midland cut its ratio of costs to income last year to 67.3 per cent compared with 70.1 per cent. In the second half of the year the ratio dropped to 66.6 per cent, and that figure could have been lower without £76m of redundancy costs and £34m of provisions for vacant space.

First Direct added 108,000 new accounts last year, of which Mr Whitson said 80 per cent were from non-Midland customers.

ISA lifted by 20% rise in PC sales

By Simon Kuper

ISA International, the computer consumables distributor, yesterday reported a 31 per cent rise in annual pre-tax profits, pushing shares up 5p to a record high of 169p.

For the year to December 31, pre-tax profits reached £6.25m ($10m), against £4.78m, and turnover rose to £211m (£180.3m). It said its results had been boosted by 20 per cent growth in European PC sales and its refocus on the high-margin government and corporate markets.

The end-user market grew by a third to £75.7m, contributing more than half of pre-tax profits, while low-margin export sales fell 17 per cent to £35.3m.

The company expects the European computer consumables market to grow from $5bn in 1995 to $11bn in 2000 as PC use expands.

Mr Andrew Heap, deputy chairman, expressed "disappointment that we didn't bring anything [large] home" in 1995, but said the company planned a large acquisition this year.

With 6 per cent of the market, ISA was the largest computer consumables distributor in Europe last year, said Mr Heap.

Rentokil criticises BET management

By Geoff Dyer

Rentokil strongly criticised the management and financial performance of BET, its £1.9bn hostile bid target, but stepped back from making personal attacks in the offer document published yesterday.

Analysts speculated that the more moderate tone of the document, which did not rule out an increased bid, was designed to enhance the prospect of getting a recommendation from the BET board.

The publication of the document starts the clock ticking for the bid battle and gives BET, the business services group, 14 days from today to set out its defence.

Rentokil, the industrial services group, claimed that BET lacked a "clear and consistent strategy" and that it had pursued "market share at the expense of profitability."

BET responded that the offer was "wholly inadequate" and that the arguments in the offer document were "outdated."

It claimed that Rentokil's offer ignored recent improvements in performance at BET, including the 28 per cent increase in earnings in the year to April 1 and the 10 per cent rise in revenue in the six months to September 30.

Mr Clive Thompson, Rentokil's chief executive, claimed his group's management was "superior" and could improve BET's profitability. Revenues for BET's continuing operations had fallen by 1 per cent over the last two financial years. Furthermore, BET shares had underperformed the market by 45 per cent since April 1991.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Abbey National	Yr to Dec 31	-	(-)	1,028	(932)	51.7	(46.5)	14.5	May 7	12.05	21.75	17.75
Acorn Computers	Yr to Dec 31	38.5	(50.4)	12.3L♠	(3.4L)	14.5L	(4.9L)	-	-	-	-	-
Almasac	6 mths to Dec 31	64.9	(30.8)	8.75	(5.18)	12†	(10.16)	2.45	Apr 12	2.3	-	7.5
Baldwin	Yr to Oct 31	51	(46.2)	4.04♠	(4.39♥)	12.7	(16.6)	2.5	Apr 26	2.4	4.5	4
Brewin Dolphin	55 wks to Dec 31	34.5	(29.3)	4.21	(4.03♥)	14.3†	(14.1)	5	Apr 17	4	7	5
Card Clear ϕ	Yr to Dec 31	0.779	(0.118)	0.372L	(0.721L)	2.1L	(5.7L)	-	-	-	-	-
Cash Converters ♦	6 mths to Dec 31	5.34	(-)	1.55	(-)	1.02	(-)	1.3	Apr 30	-	-	-
Community Hospitals	6 mths to Dec 31	33	(29.6)	3.88	(3.22)	8	(6.6)	3.4	May 10	3	-	8.8
Honeysuckle	6 mths to Nov 30	12.1	(10.7)	0.216	(0.84)	1.6	(6.5)	0.5	Apr 9	1	-	2.5
HSBC	Yr to Dec 31	-	(-)	3,672	(3,166)	94.01	(79.6)	22.75	June 3	19	32	27
ISA Intl	Yr to Dec 31	211	(180.3)	6.25	(4.78)	9.9	(8.2)	1.65	May 31	1.295	2.38	1.9
Lilleshall	Yr to Dec 31	111.5	(99.3)	3.98	(5.1)	7.7	(10.1)	3	May 24	3	4.85	4.85
Savoy Hotel	Yr to Dec 31 ✠	96	(92.1)	10.6♠	(4.23)	21.8	(10.7)	14	May 28	7	14	7
Zotefoams	Yr to Dec 31	22.8	(17.6)	7.16	(4.59)	13.1	(8.8)	3.6	Apr 26	-	5.4	-

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Gartmore Scotland	6 mths to Jan 31	287.2	(268.4)	0.689	(0.544)	5.09	(4.02)	2.5	May 27	2.4	-	10.5
Govett Asian ‡	Yr to Dec 31	245	(273)	0.717	(0.459)	1.91	(1.22)	0.85	-	0.4	0.85	0.4
JF Utilities	6 mths to Jan 31	101.7	(100.3)	1.347	(1.141)	4.43	(3.75)	1.78	Apr 15	1.72	-	

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ϕAim stock. ♦Australian currency. ✠Figures include discontinuing operations. ‡US currency.

هكذا أصله الأصل

To all those customers who helped SGS-THOMSON Microelectronics make 1995 another year of steady growth, we'd like to say

THANK YOU

SGS-THOMSON has recorded yet another year of steady and impressive growth, once again outpacing the rate of growth in our served markets. Net revenues are up 34% to $3.554 billion, while earnings have risen from $362.5 million to $526.5 million.

Our continued growth is no accident. We're successful, in large, because of strong working partnerships with the customers we serve. Fully 51% of SGS-THOMSON's business is devoted to providing those customers with differentiated products — Microcontrollers, Semicustom ICs and ASSPs/Dedicated ICs. Since these complex devices contain a high level of customer system architecture, they can only be designed and built with the close cooperation of both partners.

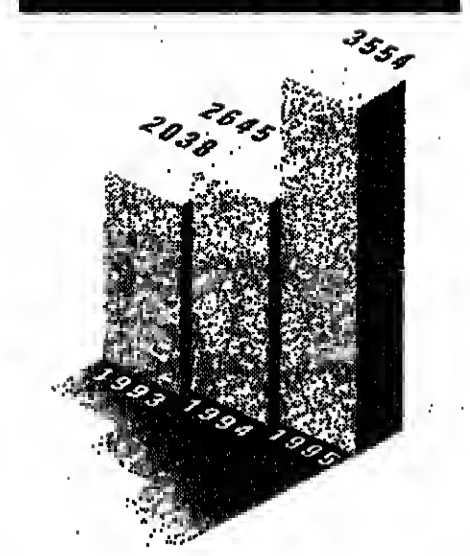
SGS-THOMSON, from its side, intelligently drives advances in technology and production capacity build-up, based on clearly defined customer needs. New products are planned and capital is invested to satisfy customer-driven demands. This firm commitment to common objectives results in a win-win situation for both parties.

As we enter 1996, our financial course remains steady. We have a well-positioned portfolio, a diversified sales base — both by end markets and geographically — and significant financial flexibility based on a very strong balance sheet. However, our most important bottom line will always remain the satisfaction of our customers.

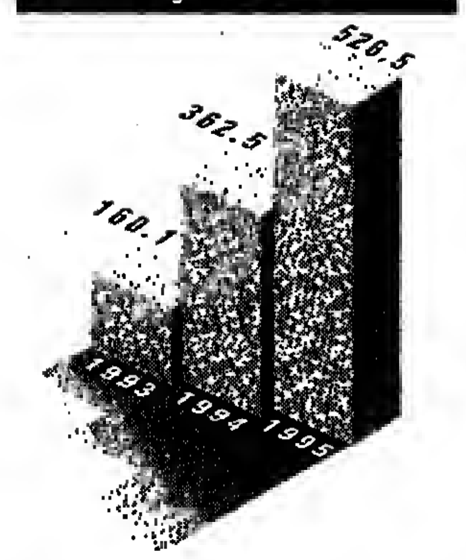
Our continued success has renewed and strengthened our dedication to all whom we have had the privilege to serve.

Once again, thank you.

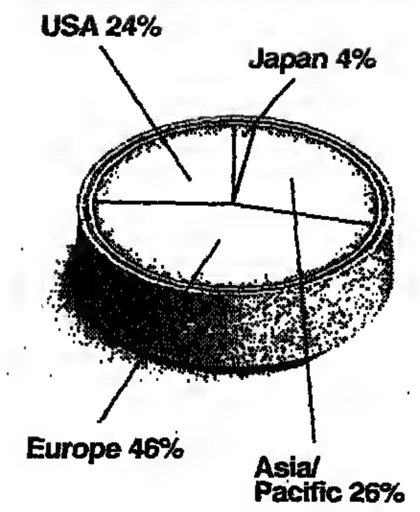
Net Revenues: Millions of Dollars



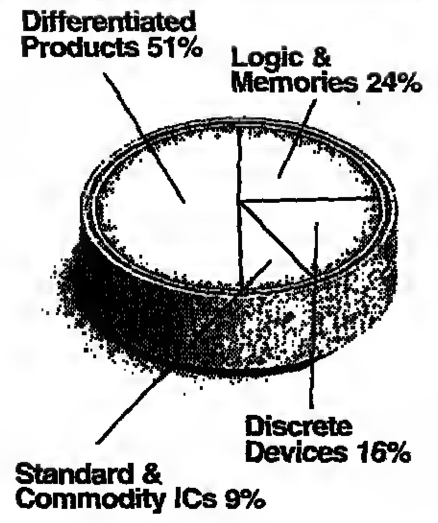
Net Earnings: Millions of Dollars



1995 Sales By Region



1995 Sales By Product Group



Service and Technology

SGS-THOMSON MICROELECTRONICS NYSE: STM

SGS-THOMSON Microelectronics GROUP OF COMPANIES: Australia - Brazil - Canada - China - France - Germany - Hong Kong - Italy - Japan - Korea - Malaysia - Malta - Morocco - The Netherlands - Singapore - Spain - Sweden - Switzerland - Taiwan - Thailand - United Kingdom - USA

Plan to raise occupancy rate from 65 per cent to 80 per cent

Savoy Hotel doubles dividend

By David Blackwell

The Savoy Hotel, in which Granada has a 68 per cent stake, yesterday doubled its dividends as pre-tax profits from continuing operations last year leapt from £4.4m to £11.5m ($18m).

Mr Ramón Pajares, managing director, said he was "very pleased indeed" with the results. They had been achieved on an occupancy rate of 65 per cent, similar to the previous year, "so the potential is quite considerable".

The group is aiming to reach 80 per cent occupancy – the average for London luxury hotels last year – towards the end of next year. This was a tough target, but he was confident of achieving it providing terrorism or factors beyond his control did not deter visitors.

Profits were in line with the forecast made last month during Granada's £3.9bn bid for Forte, the hotels group. The TV and leisure group is planning to dispose of its holding in Savoy, which it does not control in spite of the size of the stake inherited from Forte.

Earnings per A share from continuing operations rose from 11.7p to 27.5p, last year, while B share earnings were up from 5.8p to 13.8p. Dividends are have been doubled to 14p and 7p respectively.

The group, which also includes Claridge's, the Connaught Hotel and the Berkeley, is in the middle of a £58m capital expenditure plan that has led to some disruption. Last year just under £11m was spent, with the bulk to be used this year: the programme is expected to be completed by the end of March 1997.

Tony Andrews

Ramón Pajares: considerable potential for further profit rises

3D jigsaw puzzles boosts Zotefoams

The growing popularity of three-dimensional foam jigsaw puzzles in North America helped Zotefoams, the former BP Chemicals subsidiary, raise annual pre-tax profits from £4.6m to £7.2m ($11m), writes Motoko Rich.

In its maiden year as a listed company, the specialist foams maker lifted pro forma pre-tax profits 41 per cent.

The shares, which were floated last year at 145p, rose 9p to 290p.

The strongest geographical growth took place in North America, which contributed 38 per cent (30 per cent) of sales. Mr Bill Fairservice, managing director, said this was largely due to the success of the jigsaw puzzles, which come in shapes including a model of Notre Dame and colourful elephants. The biggest – a replica of Big Ben – is made up of 1,400 pieces.

Analysts' pre-tax profit forecasts for the current year ranged from £8.4m to £9m. One said: "I do not think this is going to be a market of £500m sales."

Blue Circle to cut up to 1,300 jobs in heating

By Patrick Harverson

Blue Circle, the building materials group, yesterday announced plans to cut up to 1,300 jobs as part of the restructuring of its European heating division.

The restructuring will significantly reduce manufacturing capacity, and will generate annual savings of £25m ($38.5m) from next year, with £9m this year. As previously announced, a charge of £55m will be taken in 1995's accounts to cover the cost of the changes.

Details of the restructuring come in the wake of a management shake-up at the division, which, following losses of £5.2m pounds in Germany, made a profit of only £100,000 on turnover of £331m in the first half of 1995.

The division manufactures radiators and central heating boilers in the UK, Germany and France, but has been bedevilled by high costs.

The bulk of the job cuts will be in the UK, where a total of 370 redundancies are planned. That figure includes the 20 jobs eliminated by the recent closure of the Rugby head office of Blue Circle Heating.

In Germany, the main boiler manufacturing operation will be cut significantly, resulting in 210 redundancies, while in France another 200 jobs will go. In both countries, Blue Circle said it had negotiated with the relevant authorities over the redundancies. Another 15 jobs will be cut from the division's Swedish factory.

On top of these redundancies, Blue Circle said that a fresh round of rationalisation due before the year-end will cut a further 400-500 jobs from the division's workforce.

Of the £55m restructuring charge, £30m will be spent on redundancies, £9m on asset write-offs and £16m on relocation and site preparation costs.

Trifast Norway buy

Trifast is paying £1.2m ($1.84m) for Magne Bjorlo, the Norwegian fastenings distributor. The deal will be financed by £500,000 cash and the issue of 105,820 shares, and on completion.

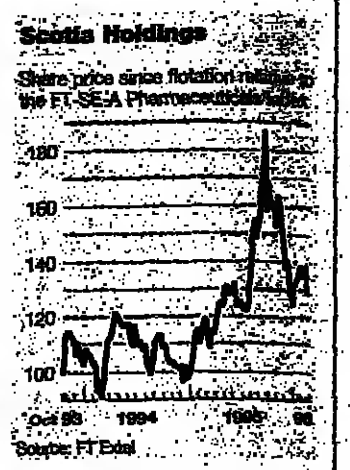
There is a further performance-related payment of up to £300,000.

DIGEST

Shares in Scotia fall as deal ends

The fragility of the UK biotechnology sector was underlined yesterday when shares in Scotia, the third biggest company by market capitalisation, fell by 69p to 558p after it abandoned a marketing deal with its long-standing partner, Pharmacia of Sweden. Scotia is now without a marketing partner for one of its most important products, its diabetes drug Tarabetic, formerly known by the code name EF4. The drug is likely to receive approval to go on sale later this year. Annual sales could reach $250m according to Lehman Brothers, the stockbroker. Dr David Horrobin, Scotia's chief executive, said he was in talks with at least two other companies about taking over the marketing rights for Tarabetic and a deal was likely within six months and possibly much sooner. *Daniel Green*

Scotia Holdings



£50m placing by Data Sciences

Data Sciences, the Farnborough-based computer services group, plans to raise up to £50m in new money when it comes to market through a placing with institutions. The proceeds will be used to redeem preference shares issued at the time of the £67m management buy-out from Thorn EMI in July 1991.

The company, restructured by a new management team led by Mr Andy Roberts who took over as chief executive in 1993, has grown steadily in recent years helped by the buoyant market for systems integration and outsourcing. In the year to September 30, it reported an 80 per cent increase in operating profits to £6.1m on sales up 18 per cent to £106m. *Paul Taylor*

Brancote seeks £3.2m

Brancote, the Aim-listed mining company, is raising about £3.24m ($5m) net via a placing and open offer, to fund a 40 per cent stake in the Mount Cuthbert copper project in Queensland, Australia.

Some 7.2m new shares will placed or offered at 50p each, compared with yesterday's market price of 53p, which gives Brancote a market value of £5.1m. The offer is on a 7-for-10 basis. Williams de Broë is underwriting the placing and offer, which is subject to shareholders' approval.

Brancote's partner is Murchison United, which will own 60 per cent and manage the project. *Kenneth Gooding*

Cash Converters at A$1.5m

Cash Converters International, the Australia-based retailer which came to the market last November, reported pre-tax profits of A$1.55m for the six months to December 31.

The result was slightly ahead of the A$1.4m forecast at flotation. Mr Brian Cumins, chairman, said the company, which franchises retail stores specialising in second-hand goods, now had 215 outlets in 10 countries. As well as introducing new stand-alone second-hand furniture stores in Australia, the group was focusing on expansion in the US.

Turnover of A$6.34m was slightly lower than the A$5.7m forecast, mainly because of reduced advertising spend in parts of Australia before the acquisition of sub-franchisor agreements. Earnings per share were 1.02 cents and a dividend of 1.3 cents is being paid.

COMPANY NOTICES

THE COMPANIES ACT 1985

NOTICE OF MEETING OF MEMBERS AND CREDITORS WHEN WINDING UP CONTINUES FOR MORE THAN ONE YEAR

FAIRBAIRN LAWSON LIMITED
W WESTWOOD & SONS LIMITED
BOLTONS SUPERHEATER & PIPEWORKS LIMITED
FAIRBAIRN LAWSON REALISATIONS (IRLAM) LIMITED
(In Liquidation)

NOTICE IS HEREBY GIVEN, pursuant to Section 594 of the Companies Act 1985, that Meetings of the Members and Creditors of the above named companies will be held at the offices of Robson Rhodes, St George House, 40 Great George Street, Leeds, LS1 3DQ on Friday 8 March 1996 at 3 o'clock and 3.30 in the afternoon respectively, for the purpose of receiving from the Liquidators an account of their acts and dealings and of the conduct of the winding-up during the twelve months ended 9 December 1995 and to hear any explanations that may be given by the Liquidators.

By an order of the High Court made on 21 February 1996, the Liquidators of Fairbairn Lawson Limited were authorised to give notice of this meeting of members and creditors by public advertisement.

Dated this 21 February 1996

M J Hore

Joint Liquidator

SIGNATORY IS A CHARTERED ACCOUNTANT

COMMODITIES AND AGRICULTURE

Russian diamond deal will raise $2bn a year

By Kenneth Gooding, Mining Correspondent

Russia will generate nearly US$2bn a year from sales of rough or uncut diamonds following an agreement signed with the diamond cartel organised by De Beers' Central Selling Organisation, Mr Gary Ralfe, chairman of the CSO, said yesterday.

Most of the cash flow – about $150m a month – would come from exports to the CSO and the rest from the Russian cutting industry.

Mr Ralfe said that Russia's rough diamond production was worth about $1.2bn to $1.3bn a year so it would have to continue to dig deep into its stockpiles to meet the sales target.

He implied that members of the Russian Federal government "at a very high level" had joined the negotiations last August in order to protect this valuable source of income.

The negotiations resulted in the signing last week of a "memorandum of the general principles" that will govern the relationship between De Beers and Russia.

He added that there was a good chance that "leakages" of rough diamonds to the west from Russia, bypassing the CSO and threatening to destabilise the market, would cease.

A number of loopholes would be closed, preventing partly processed rough diamonds from being exported, and there would be tighter control of rough diamonds sent for cutting and polishing outside Russia but intended for the Russian market. The memorandum shut another loophole by including a new definition for "technical" or industrial diamonds, which covered the smaller stones being processed by the Indian cutting industry.

Mr Ralfe said that about half the Russian diamonds taken by the CSO would be from mine production. The CSO was guaranteed a full spectrum of production, ensuring that it would not have to make do with what had been left by the domestic cutting industry.

Other diamonds supplied to the CSO would come from Russian stockpiles and the stones from the mines that the domestic cutters could not use. This suggested they would almost certainly be smaller and cheaper. The memorandum permitted Russia to export on its own account 20 per cent of the diamonds from each of these streams.

The effect was that Russia would now sell on its own account 12½ per cent of its total annual export sales, rather than the 5 per cent permitted under the terms of the previous contract.

See Editorial Comment

Vietnam fails to meet rice export contracts

By Jeremy Grant in Hanoi

Traders in Vietnam have said that most of the rice due to be sold abroad in January and February had been held back amid fears of a repeat of last year's export ban.

Vietnam – the world's third-largest rice exporter – plans to sell 2m tonnes of rice abroad this year, down from 2.1m tonnes in 1995, the official Vietnam News said yesterday.

The newspaper said exporters had shipped only 100,000 tonnes of rice in January, out of 480,000 tonnes for which contracts had been signed, because of stockpiling ahead of last week's new year holiday, when demand for rice soars.

Traders in Ho Chi Minh City said rice was probably also being held back because of fears that the government would repeat last year's ban on rice exports, introduced to safeguard domestic supply after flooding in the Mekong Delta, where 70 per cent of the country's rice is grown.

Last year Vietnam produced 25m tonnes of rice, its largest ever harvest and six per cent more than 1994, in spite of crop damage caused by flooding.

"There is a reaction to last year's episode when the government slapped a ban on exports so I would suggest they are holding stocks to ensure this doesn't happen again," said one trader.

Some traders said there were additional concerns about Hanoi's policy on the allocation of export licences and quotas, which they say has been applied arbitrarily because of worries about domestic supply.

MARKET REPORT

Coffee futures prices fall 4.6%

By Alison Maitland

Coffee futures prices dropped 4.6 per cent in London yesterday following a sharp decline in New York on Friday.

The fall was driven in both markets by funds unwinding long positions as prices fell through key chart resistance levels. Coffee roasters bought on dips, underpinning prices yesterday.

Mr David Phipps of Merrill Lynch in London said the market had become too bullish on the basis of tight physical supplies. Roasters, he pointed out, were maintaining their "hand to mouth" policy of buying only what they needed immediately.

The second position robusta futures contract in London closed $91 down at $1,872, well below the high of $2,200 reached at the end of January.

Small farms with room for improvement

The EU is considering plans to protect traditional farms from commercial reality

FARMER'S VIEWPOINT

By David Richardson

Statistics are like swimsuits: what they reveal is interesting, what they hide is vital. So it is with the statistics of EU agriculture. According to official figures the average farm size in Britain is about 170 acres; in Greece it is about 10 acres. All other member states have farms whose average size is between these extremes. This reveals that the structure of British agriculture is better developed than that of any other EU state. But it hides the fact that the average acreage controlled by UK farmers is larger than 170 acres.

How much larger is impossible to calculate accurately. The situation is complicated by thousands of agreements between occupiers of land and those who manage the farming for them. Each farm retains its registration with the Ministry of Agriculture and has an individual holding number. In most cases the "farmer" remains resident in the farmhouse. But in order to benefit from the economies of scale many of those who nominally control the holding have handed over the decision-making to neighbours or others, usually through some sort of contracting or profit-sharing agreement. No register is kept, but such arrangements are widespread and increasing.

As a result agricultural land is actually controlled by a smaller number of UK farmers than is registered in official figures. This reflects the fact that the potential income from the nominal average of 170 acres would usually be considered inadequate to provide a reasonable income for a farming family. There are exceptions, such as intensive livestock farms and those which concentrate on high-value vegetables.

Circumstances differ between farms, and variations in the level of borrowings – from nil in some cases to a 60 per cent mortgage plus an overdraft for most of the working capital in others – will give almost as many definitions of viability as there are farmers. But most agricultural consultants would, I suspect, suggest a figure of at least 500 acres as the minimum viable size for "conventional", mainly arable farming. Moreover, if Mr Douglas Hogg, the UK agriculture minister, has his way that figure will need to rise further.

Mr Hogg's objective, expressed on several platforms in recent weeks, is to cut production-based aid to farmers and encourage them to be more efficient and able to compete on world markets. This recognises the reality of the Gatt agreement and greater free trade, and implies more amalgamation of holdings for management purposes.

All of which flies in the face of those who seek to preserve a traditional rural structure dominated by small, family firms. Groups such as the Safe Alliance, the Small Farmers Association and others have mounted a campaign to try to gain preferential subsidies for small farms at the expense of larger farms.

Small farm pressure groups are promoting a concept which was proposed and debated during the 1992 reform of the Common Agricultural Policy, but which was not adopted, mainly because of objections by the UK. The concept, like many others from Brussels, has an obscure title: "Modulation."

It means reducing or eliminating the entitlement of a farmer to EU aid if he farms more than a pre-determined acreage. Mr John Gummer, the UK agriculture minister in 1992, argued successfully that such a policy would discriminate against the UK because its farm structure was better than that in other member states. The less damaging alternative, which was adopted, was to exempt EU farmers who produce less than 92 tonnes of cereals from set-aside requirements.

But the policy of modulation, with its social overtones, was never entirely dismissed in Brussels in spite of continuing opposition from the British government. It was only shelved and as Mr Franz Fischler, EU agriculture commissioner, made clear in London last week it is about to be dusted off and re-introduced for consideration in the next CAP reform.

To some politicians and romantics with little grasp of commercial reality that prospect has obvious appeal. It would enable them to be seen to be helping the underdog, maintaining the countryside as they think it once was.

But that would be to adopt different standards for farming than for other industries, where efficiency is encouraged. The facts are that all aid for all farm sizes is set to decline and few big farmers would argue strongly against that. Small farmers are already eligible for more aid per acre because of scale restrictions imposed on larger farms. Because of inexorable commercial pressures the amount of land controlled by most successful farmers will continue to grow.

In spite of my involvement with a farm management company, I should point out that I am not against small farmers. I was once one myself and consider myself fortunate to have been able to escape the drudgery and inadequate returns it entailed. Nor am I against some extra aid to small farmers for social rather than agricultural reasons. Low incomes in the small farm sector, which would in other circumstances be considered less than a living wage, prove that point.

The main reason for my reticence on modulation is that I do not believe it would succeed in reversing a firmly established trend. To enjoy being a small farmer requires an alternative income and the ability to pay someone else to do much of the work. I was not that fortunate. I had to work hard to increase the farm size. Achieving that objective was very worthwhile, and much more satisfying than merely demanding to be funded to stay as I was.

Nitrate limits 'will cost UK farmers more than £10m'

By Alison Maitland

British farmers' leaders are making a pre-emptive strike against government proposals to cut nitrates in drinking water, which will cost the industry at least £10m.

The plan to establish nitrate vulnerable zones with strict limits on the use of farmyard manure is in line with a 1991 EU nitrate directive, which says that nitrates in drinking water sources must not exceed 50mg per litre in any test.

The National Farmers' Union of England and Wales said yesterday it would take legal advice when the Department of the Environment publishes the final list of designated areas in the next few weeks and might launch a judicial review into the way the government has interpreted the directive.

The DoE is expected to announce 69 zones, mainly in England, affecting about 8,000 farms and 650,000 hectares, or up to 12 per cent of England's arable land. These are zones where nitrate levels have been found to exceed the limit.

The union argues that the 50mg limit has no scientific foundation and that it should be treated as an average measurement rather than a maximum limit, in line with World Health Organisation guidance.

It is lobbying the European Commission with evidence that cutting nitrates too much could be injurious to health, because their conversion into nitrite in saliva helps to kill harmful bacteria.

Farmers in the designated zones will face restrictions on when they can apply organic fertiliser such as slurry and poultry manure, and cuts in the amount they can apply. Mr Tony Pexton, NFU deputy president, said this went beyond the code of good agricultural practice and meant some farmers would have to cut the number of animals per hectare by 40 per cent.

The additional manure produced by their animals would have to be stored or transferred to fields elsewhere, creating costs in building stores and in transport – as well as offensive smells for neighbours and extra road traffic.

Some dairy farmers face extra costs amounting to £100 a cow. One intensive pig farmer cited by Mr Pexton faces a bill of £36,000 and the union believes the total bill to farmers will be higher than the government's estimated £10m.

"If we're going to be competitive in Europe and the world, these costs are of concern," said Mr Pexton. "Having your production costs increased for no good reason doesn't appeal."

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE (Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1575.5-76.5	1605.5-606
Previous	1586.5-89.5	1617-18
[illegible]	[illegible]	[illegible]

■ ALUMINIUM ALLOY ($ per tonne) — [illegible]

■ LEAD ($ per tonne) — [illegible]

■ NICKEL ($ per tonne) — [illegible]

■ TIN ($ per tonne) — [illegible]

■ ZINC, special high grade ($ per tonne) — [illegible]

■ COPPER, grade A ($ per tonne) — [illegible]

■ LME AM Official £/$ rate: 1.5412 — [illegible]

■ HIGH GRADE COPPER (COMEX) — [illegible]

PRECIOUS METALS

■ LONDON BULLION MARKET (Prices supplied by N M Rothschild) — [illegible]

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Feb	393.3	+0.8	400.0	398.1	74	118
Apr	400.6	+0.7	402.0	398.4	31,007	114,153
Jun	403.2	+0.7	404.7	402.0	2,021	34,487
Aug	405.3	+0.7	406.7	405.3	434	11,531
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.) — [illegible]

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.) — [illegible]

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.) — [illegible]

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel) — [illegible]

■ CRUDE OIL IPE ($/barrel) — [illegible]

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.) — [illegible]

■ GAS OIL IPE ($/tonne) — [illegible]

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu) — [illegible]

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.) — [illegible]

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	119.00	+0.50	119.00	118.75	47	450
May	121.45	+0.40	121.60	121.45	46	3,603
Jul	123.30	+0.25	123.45	123.45	21	525
Sep	111.05	+0.15	110.90	110.90	14	186
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ WHEAT CBT (5,000bu min; cents/60lb bushel) — [illegible]

■ MAIZE CBT (5,000 bu min; cents/56lb bushel) — [illegible]

■ BARLEY LCE (£ per tonne) — [illegible]

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel) — [illegible]

■ SOYABEAN OIL CBT (60,000lbs; cents/lb) — [illegible]

■ SOYABEAN MEAL CBT (100 tons; $/ton) — [illegible]

■ POTATOES LCE (£/tonne) — [illegible]

■ FREIGHT (BIFFEX) LCE ($10/index point) — [illegible]

FUTURES DATA
All futures data supplied by CMS.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	891	-3	896	889	1,794	7,841
May	914	-3	922	913	1,090	23,914
Jul	936	-3	946	937	2,012	12,778
Sep	960	-2	967	960	510	37,246
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ COCOA CSCE (10 tonnes; $/tonnes) — [illegible]

■ COCOA (ICCO) (SDR's/tonne) — [illegible]

■ COFFEE LCE ($/tonne) — [illegible]

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs) — [illegible]

■ COFFEE (ICO) (US cents/pound) — [illegible]

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs) — [illegible]

■ WHITE SUGAR LCE ($/tonne) — [illegible]

■ SUGAR '11' CSCE (112,000lbs; cents/lbs) — [illegible]

■ COTTON NYCE (50,000lbs; cents/lbs) — [illegible]

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs) — [illegible]

VOLUME DATA
Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME and CSCE are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100) — [illegible]

■ CRB Futures (Base: 1967=100) — [illegible]

■ GSCI Spot (Base: 1970=100) — [illegible]

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Apr	65.775	+1.325	65.825	64.800	4,581	34,636
Jun	63.700	+1.000	63.825	63.225	2,794	20,295
Aug	62.950	+0.750	63.100	62.500	1,073	10,371
Oct	63.600	+0.850	63.750	63.100	878	9,512
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ LIVE HOGS CME (40,000lbs; cents/lbs) — [illegible]

■ PORK BELLIES CME (40,000lbs; cents/lbs) — [illegible]

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — Puts — [illegible]

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Mar) — [illegible]

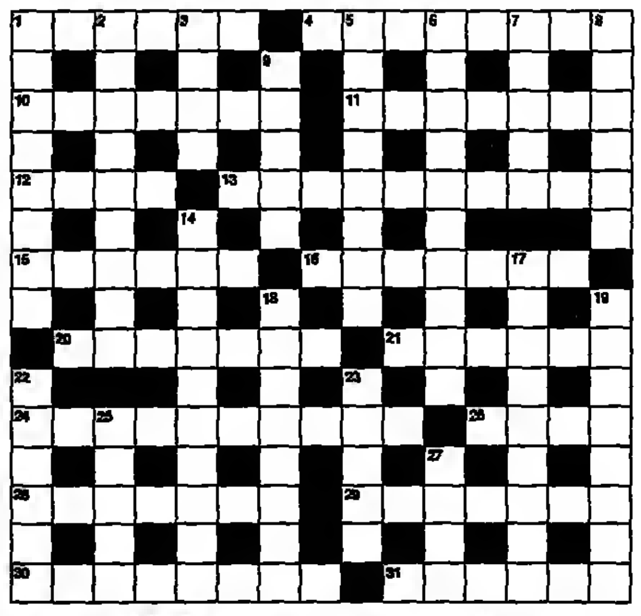
■ OIL PRODUCTS NWE prompt delivery CIF (tonne) — [illegible]

■ OTHER — [illegible]

JOTTER PAD

CROSSWORD

No.9,004 Set by HIGHLANDER



ACROSS
1 Needle chap in front of family (6)
4 Risk including a characteristic of Nero for example (8)
10 Case in which one has to stick to the point (7)
11 Rifle round secures pieces of gold (7)
12 A fruit put round a fish (4)
13 Scoring shot with those or different weapon (3-7)
15 Get to the bottom of nautical measure (6)
16 More original student? (7)
20 Believes its following statement of principles (nothing's omitted) (7)
21 Poles run out slowly and drop off (6)
24 Only the post shows exactly what's needed (4,3,3)
26 Sculpture is broken but protects son's head (4)
28 Church with a change of peals where Nonconformists go (7)
29 Drinks some English medicinal preparation from oriental root (7)
30 Loneliness could become tedious, left inside (8)
31 Rush gets double figures (6)

DOWN
1 Strong gust of wind, bad for launch (5,3)
2 Schedule seen to go up with explosive device (9)
3 It switched hot and cold, creating irritation (4)
5 Government department's cars go (8)
6 Very interesting singer and song arrangement (10)
7 Clumsy writer reversed into it (5)
8 Reflected light affected result (6)
9 Start to live on alcohol (5)
14 007, by the way, is in London (4,6)
17 Mum let one off payment for work done (9)
18 Put accent on under pressure (8)
19 Enclose trail behind military HQ overseas (8)
22 Rapidly escapes from English aircraft carrying head of constabulary (6)
23 Make copies to replace two notes (5)
25 Beat about the bush where horse might be kept (5)
27 Indian batting with cricket amateurs initially (4)

Solution to Saturday's prize puzzle on Saturday March 9.
Solution to yesterday's prize puzzle on Monday March 11.

INTERNATIONAL CAPITAL MARKETS

Early selling in US sets the tone for Europe

By Samer Iskandar, Antonia Sharpe and Richard Lapper in London and Lisa Bransten in New York

International government bonds continued their recent slide, with prices again falling in all markets.

Early selling of Treasuries set the tone for the day, with European markets falling in line with the US.

Signs of easing inflationary pressures in Germany had no positive effect and there are fears in some quarters that last week's sell-off could have paved the way for a longer-period of bearish sentiment.

"Everybody is running scared. The downturn is gathering a momentum of its own," said Mr Mark Cliffe, chief international economist at HSBC Markets.

A raft of economic data is scheduled to be released over the rest of this week and analysts say that signs of a pick-up in economic growth could prove very damaging.

"The markets have got ahead of themselves in assuming interest rate cuts. If the figures hint at an upturn in growth, the markets could turn really ugly," said Mr Cliffe.

■ Nervousness about new supply and a wave of data due to be released over the course of this week sent US Treasury prices lower in early trading.

Near midday, the yield on the benchmark 30-year Treasury bond was at 6.467 per cent, its highest level since October 2, with the price down ¾ to 93⅝.

At the short end of the maturity spectrum the two-year note was ⅛ lower at 99⅞ to yield 5.170 per cent.

There were no important data releases yesterday, but traders were preparing for a spate of figures beginning today when the government is to put out producer prices and retail sales data, and the conference board will release information about consumer confidence.

The strength of the US economy is the subject of growing uncertainty on Wall Street, which Mr Alan Greenspan did little to clarify in two days of Congressional testimony last week. On Friday, the market was rattled by unexpectedly high figures on housing starts.

Also weighing on yesterday's market was a round of new supply to be sold today and tomorrow when the Treasury Department auctions two-year and five-year notes.

The dollar offered little support for bonds as it was mixed against the D-Mark and the yen.

GOVERNMENT BONDS

In early trading, the US currency edged higher against the D-Mark to DM1.4488 compared with DM1.4480 late on Friday, while it slipped against the yen to Y104.35 from Y104.86.

■ German federal bonds ended lower after a volatile trading session. The March 10-year bund contract, listed on Liffe, closed at 96.70, down 0.95. Traders derived no inspiration from the publication of CPI figures in the states of Hesse and Baden-Wuerttemberg, up 0.4 per cent in February. Instead, bearish sentiment led the market lower in the wake of falling US Treasuries.

A shift is seen as possible, however, in the medium term if the Bundesbank decides to trim the discount or Lombard rates.

Even an easing in tomorrow's repo rate – fixed at 3.3 per cent earlier this month – would be taken as an encouraging sign.

In the longer term, analysts and traders remain convinced that German bunds will not break free from US Treasury market dominance until news from the European political front shows an improvement in the prospects for European monetary union.

■ French bonds traded erratically for the best part of the day, then followed German bunds and US Treasuries lower.

The 2006 benchmark OAT ended the session yielding 6.74 per cent, up from last week's closing level of 6.68 per cent. The 10-year yield spread of OATs over bunds widened slightly to 32 basis points, from 31 points on Friday.

"I do not see the spread tightening to below 30 basis points, unless the French franc strengthens and the central bank is able to ease its rates substantially," said a futures trader at a Paris-based bank.

On Matif, 10-year bond futures closed at 120.44, down 0.76, and the March contract on three-month Pibor lost 0.10 to 95.44.

■ UK government bonds fell in sympathy with weakness in overseas bond markets and because of worries about how the government would fare in the parliamentary debate on the Scott report into sales of military equipment to Iraq.

Dealers said the fall was led by the futures market but that there was little selling in the cash market.

Indeed, the drop in gilt prices encouraged some cash buying of long-dated issues in the afternoon, which enabled prices to stabilise at the lower levels.

On Liffe, the March contract of the long gilt future fell to the day's low of 106⅜ before stabilising at about 106⅝, down ⅞ point on the day, in volume of just under 80,000 contracts.

Dealers said buying of longer-dated gilts had caused the spread over 10-year German government bonds (bunds) to come in to about 165 basis points from 171 points at the start of the day.

Mr Andrew Roberts, gilts strategist at UBS, said selling by hedge funds also helped to narrow the bund/gilt spread.

Since hedge funds hold a higher proportion of bunds than gilts, because the former are more liquid, bunds are likely to suffer more than gilts when hedge funds start to sell.

Mr Simon Briscoe, UK economist at Nikko, said he expected the gilts market to hold at current levels. "In the low-inflation environment, domestic investors will want to lock into 10-year yields of 8 per cent," he said.

Although the Scott report could be the source of further worries for the market, dealers are confident that tomorrow's £3bn auction of 25-year 8 per cent gilts will go smoothly.

Merrill poised for Valmet mandate

By Antonia Sharpe

Merrill Lynch, the US investment bank, is believed to have won the mandate to arrange an international share offering in Valmet of Finland, the world's biggest maker of paper machinery, which is majority-owned by the Finnish government.

The government is likely to raise some $300m by cutting its shareholding to about 30 per cent from its current holding of 58 per cent. Merrill Lynch declined to comment yesterday and the company was not available to comment.

Valmet's shares are listed in Helsinki but a listing on the New York Stock Exchange is planned to coincide with the sale of the government's shares. The offer is scheduled to take place by the summer.

The government's planned disposal of shares in Valmet comes in the wake of the company's recovery from heavy losses earlier in the decade. Last week Valmet said profits had more than trebled from FM203m to FM637m ($138m) in 1995.

One other mandate which is up for grabs in the highly competitive international equity market is that for OTE, the Greek telecoms company.

Bankers said the mandate had originally been awarded to CS First Boston and Schroders but that talks between them and the government had broken down.

The mandate to sell about 8 per cent of the company, which will raise about $300m for the state, is now likely to be awarded to BZW, HSBC and Salomon Brothers.

Venezuela debt ratings downgraded by S&P

By Conner Middelmann

Standard & Poor's, the ratings group, has lowered its eurobond rating for the Republic of Venezuela by one notch to B from B+ and has cut its short-term foreign currency rating to C from B.

The downgrade reflects the absence of decisive action by the Venezuelan government to correct severa structural imbalances in public finances and clear arrears on its unrated debt, S&P said.

Repeated delays in negotiations with the IMF over a macroeconomic stabilisation plan and financing package cast doubt about the Caldera administration's commitment to implement reform, and over the long term, about the strength of its commitment to service its debt, the agency said.

Venezuela's long-term debt service record and its liquid foreign exchange reserves compare favourably with sovereigns in the single-B category, S&P said. But currently it is not servicing growing amounts of internal and external debt, though it is servicing its eurobonds and Brady bonds on time, the report stated.

"Successful implementation over the medium term of a stabilisation programme supported by the IMF could stabilise Venezuela's creditworthiness. Failure to adhere to such a programme - a significant possibility given that potential for negative social reactions and current policy makers' questionable commitment to reform - would result in a further deterioration in Venezuela'a public finances and balances of payments," the report concludes.

Chubu braves the dollar sector

By Conner Middelmann

Volatility in the underlying government bond markets again kept a lid on eurobond issuance yesterday.

Japan's Chubu Electric Power was the only issuer to brave the choppy waters of the dollar market, with a $550m offering of five-year bonds.

The paper was priced to yield 24 basis points more than US Treasuries at the re-offer price, which dealers said offered good value for a company rated Aaa/AA+.

"We haven't seen a Japanese corporate borrower for a while and the price is right – but the timing is unfortunate," said a trader. However, an official at Lehman Brothers, joint book-runner with Nomura International and Tokai Bank, reported good demand from non-Japan Asia and across Europe and said the deal maintained its yield spread after it was freed to trade.

INTERNATIONAL BONDS

In view of the markets' volatility, the Inter-American Development Bank was rumoured to hava postponed its $1bn 10-year global bond offering from its planned launch this week.

Since it is the agency's first global bond issue and its largest deal to date, it is keen to make it a success.

However, according to Mr Saul Hanono, a senior official at the IDB, "we have made no decision and continue to watch the market closely".

The bank's decision to move into the global sector has been motivated by its increasing funding needs in the coming years.

"Until now, our borrowing volumes weren't big enough to necessitate large transactions with global characteristics," said Mr Carlos Santistevan, the IDB's treasurer.

"But in the next few years, we will be looking to borrow the equivalent of $4.5bn to $5bn per year," he added. Last year the bank borrowed $2.8bn, up from $1bn in 1994.

While the agency will continue to use the eurobond and yankee markets and "opportunistic" borrowings, Mr Santistevan said, the global market was an additional instrument which would help it reach investors in North America who have to go through the seasoning period on eurobonds, and investors who are attracted by the larger size and liquidity of a global issue compared with a eurobond.

The forthcoming issue is currently being roadshowed in Europe and the US. Early spread talk is focusing on a range of 27 to 28 basis points over Treasuries. Merrill Lynch and SCB Warburg are acting as joint book-runners.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
Chubu Electric Power(t)	550	5.75	99.490R	Apr 2001	0.25R	+24(5⅞%-01)	Lehman/Nomura/Tokai
FUMCT Srs 96-1,Cls A(a)‡	420	(a1)	100.00R	Feb 2001	0.35R	-	First Union/Merrill
SWISS FRANCS							
ENG(a)(b)	100	2.50	99.80	Aug 1999	1.50	-	UBS
GUILDERS							
Kredietbank Intl Finance	125	5.0(c)	100.167R	Apr 2002	0.275R	+8(l)	Kredietbank
FRENCH FRANCS							
Commerzbank Overseas Fin	2.5bn	6.75	98.76R	Mar 2007	0.40R	+19(l)	Commerzbank/SocGen
CANADIAN DOLLARS							
GE Capital Canada(s)	150	6.875	99.16	Dec 2001	0.25R	+20(7½%-01)	SBCW/Toronto Dominion

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) First Union Master Card Trust. Legal maturity 15/9/03. Increased from $300m to $420m. a1) 1-mth Libor +17bp. a2) Class B: $34.2m. Increased from $40.8m to $75.2m, Feb01, 1-mth Libor +29bp. b) Fungible with SFr150m. Plus 40 days accrued interest. c) For 1st 2 yrs. Thereafter 7.0. l) Over interpolated yield. t) Long 1st coupon. s) Short 1st coupon.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		10.000	02/06	108.4400	-0.770	8.72	8.30	8.17
Austria		6.125	02/06	96.5700	-0.750	6.61	6.56	6.17
Belgium		7.000	05/06	100.4900	-1.170	6.93	6.79	6.40
Canada *		8.750	12/05	108.1300	-1.120	7.55	7.38	7.10
Denmark		8.000	03/06	102.3000	-1.160	7.66	7.50	6.92
France	BTAN	7.000	10/00	104.7500	-0.520	5.79	5.63	5.29
	OAT	7.250	03/06	103.6500	-0.930	6.74	6.72	6.39
Germany Bund		6.000	01/06	96.8700	-0.940	6.44	6.34	5.98
Ireland		8.000	08/06	100.6000	-0.700	7.90	7.78	7.29
Italy		10.500	09/05	100.1800	-0.380	10.47†	10.73	10.06
Japan	No 129	6.400	03/00	115.9410	-0.290	2.12	1.99	1.86
	No 174	4.600	09/04	109.2670	-0.410	3.22	3.05	2.61
Netherlands		6.000	01/06	96.8800	-1.060	6.43	6.38	5.83
Portugal		11.875	02/05	113.3000	-0.610	9.59	9.49	9.24
Spain		10.150	01/06	101.7800	-0.860	9.84	9.93	9.36
Sweden		8.000	02/05	92.1950	-0.890	8.98	9.11	8.11
UK Gilts		8.000	12/00	102-31	-18/32	7.24	7.08	6.67
		7.500	12/06	96-16	-22/32	7.98	7.85	7.32
		9.000	10/08	107-01	-25/32	8.10	8.00	7.47
US Treasury *		5.625	02/06	96-29	-30/32	6.04	5.73	5.62
		6.000	02/26	93-21	-49/32	6.48	6.20	6.05
ECU (French Govt)		7.500	04/05	101.6200	-0.980	7.25	7.16	6.66

London closing. *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest

		Treasury Bills and Bond Yields			
		One month	4.93	Two year	5.19
Prime rate	8¼	Two month	5.01	Three year	5.32
Broker loan rate	7	Three month	4.89	Five year	5.56
Fed.funds	5⅜	Six month	5.01	10-year	6.01
Fed.funds at intervention	·	One year	5.06	30-year	6.45

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	121.06	120.44	-0.76	121.08	120.44	122,666	149,799
Jun	121.19	120.52	-0.74	121.19	120.52	2,174	21,660
Sep	120.00	119.38	-0.74	120.00	119.44	4	2,348

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
119	-	-	-	0.02	0.91	-
120	0.65	-	-	0.21	1.26	-
121	0.11	1.29	-	0.67	-	-
122	0.03	0.85	-	1.54	-	-
123	0.01	0.55	-	2.87	-	-

Est. vol. total, Calls 13,870 Puts 11,381. Previous day's open int., Calls 219,298 Puts 217,150.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	97.41	96.70	-1.02	97.55	96.66	201648	178819
Jun	96.86	95.89	-1.03	96.74	95.87	25603	95910

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Apr	CALLS May	CALLS Jun	CALLS Sep	PUTS Apr	PUTS May	PUTS Jun	PUTS Sep
9550	1.02	1.25	1.45	1.40	0.63	0.86	1.06	1.84
9600	0.73	0.97	1.17	1.19	0.84	1.08	1.28	2.13
9650	0.50	0.72	0.91	1.00	1.11	1.33	1.52	2.44

Est. vol. total, Calls 20790 Puts 12733. Previous day's open int., Calls 203160 Puts 117975

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	109.80	108.90	-0.72	109.60	108.80	39226	44057
Jun	109.20	108.48	-0.72	109.20	108.45	2863	10801

■ ITALIAN GOVT. BONO (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Jun	CALLS Sep	PUTS Jun	PUTS Sep
10800	2.36	2.90	1.88	2.84
10850	2.08	2.66	2.10	3.10
10900	1.82	2.44	2.34	3.38

Est. vol. total, Calls 2696 Puts 2370. Previous day's open int., Calls 43361 Puts 39213

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	95.65	94.61	-0.90	95.70	94.80	69,682	43,935
Jun	94.75	94.77	-0.57	94.91	94.72	695	4,122

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	107-05	106-20	-0-25	107-07	106-15	81381	110320
Jun	106-10	105-30	-0-26	106-13	105-27	29978	26192

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS Apr	CALLS May	CALLS Jun	CALLS Sep	PUTS Apr	PUTS May	PUTS Jun	PUTS Sep
105	1-33	1-60	2-19	2-35	0-37	1-00	1-22	2-19
106	0-60	1-24	1-45	2-05	1-00	1-28	1-49	2-53
107	0-34	0-60	1-15	1-43	1-38	2-00	2-19	3-27

Est. vol. total, Calls 1099 Puts 2277. Previous day's open int., Calls 27019 Puts 21619

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	89.68	89.02	-0.86	89.70	89.02	1,896	7,889

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	115-20	115-10	-0-07	115-25	115-02	512,111	287,442
Jun	115-05	114-26	-0-08	115-06	114-19	33,685	119,941
Sep	114-16	114-09	-0-06	114-16	114-01	5,583	9,066

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Mar	118.41			118.52	118.34	1155	0
Jun	116.92			117.03	119.85	2720	0

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Mon Feb 26	Day's change %	Fri Feb 23	Accrued interest	xd adj. ytd		Low coupon yield Feb 26	Feb 23	Yr. ago	Medium coupon yield Feb 26	Feb 23	Yr. ago	High coupon yield Feb 26	Feb 23	Yr. ago
1 Up to 5 years (23)	122.00	-0.17	122.21	1.95	1.58	5 yrs	7.32	7.25	8.60	7.37	7.29	8.63	7.46	7.37	8.78
2 5-15 years (20)	146.93	-0.50	147.67	3.10	0.78	15 yrs	8.16	8.06	9.53	8.17	8.09	8.65	9.29	8.18	8.86
3 Over 15 years (8)	159.90	-0.77	161.13	2.20	2.41	20 yrs	8.25	8.14	8.48	8.25	8.16	8.65	8.35	8.23	8.76
4 Irredeemables (6)	183.69	-1.35	186.50	3.23	0.29	Irred.†	8.29	8.16	8.52						
5 All stocks (57)	141.87	-0.44	142.50	2.54	1.37										

Index-linked	Mon Feb 26	Day's change %	Fri Feb 23	Accrued interest	xd adj. ytd		Inflation 5% Feb 26	Feb 23	Yr. ago	Inflation 10% Feb 26	Feb 23	Yr. ago
6 Up to 5 years (1)	196.94	-0.17	197.27	2.96	0.00	Up to 5 yrs	2.70	2.61	3.66	1.40	1.30	2.32
7 Over 5 years (11)	185.05	-0.63	186.23	1.01	0.63	Over 5 yrs	3.71	3.66	3.89	3.50	3.45	3.70
8 All stocks (12)	185.19	-0.62	186.35	1.06	0.62							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Feb 26	Feb 23	Feb 22	Feb 21	Feb 20	Yr ago	High*	Low*
Govt. Secs. (UK)	93.08	93.66	93.85	93.83	92.27	91.18	96.34	90.22
Fixed Interest	112.28	112.88	112.35	112.27	112.27	106.72	115.23	106.77

*for 1995/96. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Feb 23	Feb 22	Feb 21	Feb 20	Feb 19
Gilt Edged bargains	83.1	104.6	110.4	100.1	95.7
5-day average	98.6	99.2	98.7	97.2	98.4

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on February 26

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	100⅝	100⅞	-⅛	6.38
ABN Amro Bank 7¼ 05	1000	104½	104¾	-⅛	6.70
African Dev Bk 7⅜ 23	500	101⅜	101⅞	-1¼	7.26
Alberta Province 7⅞ 96	1000	105	105¼	-⅛	5.58
Asian Dev Bank 6¼ 05	750	99½	99⅞	-1	6.42
Austria 8½ 00	400	109⅛	109⅝	-⅛	5.75
Baden-Wuert L-Fin 8¼ 00	1000	107⅞	108⅛	-½	5.82
Bank Ned Gemeenten 7 99	1000	104⅛	104⅜	-⅛	5.65
Bayer Vereinsbk 8¼ 00	500	107⅜	107⅞	-⅛	5.89
Belgium 5½ 03	1000	95¼	95½	-⅛	6.29
BFCE 7¾ 97	150	102⅛	102⅝		5.90
British Columbia 7¾ 02	500	105⅞	105⅞	-⅛	6.10
British Gas 0 21	1500	14¼	14⅜	-⅛	7.88
Canada 6⅜ 05	1500	99⅞	100	-1	6.49
Canada 6½ 97	2000	101½	101⅝	-⅛	5.30
Cheung Kong Fin 5½ 98	500	97¼	97¾	-⅛	6.73
China 6½ 04	1000	96⅛	97	-½	7.23
Credit Foncier 9½ 99	300	110¼	110⅝	-⅛	5.68
Denmark 5¾ 98	1000	100⅛	101	-⅛	5.34
East Japan Railway 6⅝ 04	600	100⅝	101	-1	6.52
EIB 9 04	500	99¾	99⅞	-1	6.26
EIB 9¼ 97	1000	106⅜	106½	-⅛	5.25
Elec de France 9 98	200	106⅛	107	-⅛	5.43
Ex-Im Bank Japan 8 02	500	108½	109⅞	-⅛	6.11
Export Dev Corp 9½ 98	150	108½	108⅞	-⅛	5.56
Fed Home Loan 7¼ 99	1500	104⅞	105	-⅛	5.61
Federal Natl Mort 7.40 04	1500	107⅝	107⅞	-⅛	6.35
Finland 6¾ 97	3000	102½	102⅝	-¼	5.60
Ford Motor Credit 6¼ 98	1500	101⅛	101⅜	-⅛	5.59
Ind Bk Japan Fin 7⅞ 97	200	102⅛	102⅝		5.64
INI Finance 5¾ 98	650	99⅛	99⅜	-¼	5.59
Inter-Amer Dev 7½ 05	500	107⅛	107⅝	-⅛	6.44
Intl Finance 5¾ 99	500	99⅝	99⅞	-⅛	5.39
Italy 6 03	2000	97½	97¾	-¼	6.52
Italy 6⅞ 23	3500	91⅞	92¼	-⅛	7.72
Japan Dev Bk 8⅛ 01	500	110¼	110½	-⅛	5.93
Korea Elec Power 6⅜ 03	1350	98⅛	98⅞	-⅛	6.80
Matsushita Elec 7¼ 02	1000	105⅝	106	-⅛	6.27
Norway 7¼ 97	1000	102	102¼	-⅛	5.36
Ontario 7⅜ 03	3000	103⅞	104⅛	-¼	6.37
Oster Kontrollbank 8½ 01	200	110⅞	111¼	-⅝	5.93
Portugal 5¾ 05	1000	97	97¼	-⅛	6.35
Quebec Hydro 9¾ 98	150	109	109⅝		5.88
Quebec Prov 9 98	200	109⅛	109⅝	-¼	5.76
SAS 10 99	200	110⅞	111¼	-⅛	5.98
SNCF 9½ 98	150	108½	108⅞	-⅛	5.59
Spain 6½ 99	1500	102⅝	102⅞	-⅛	5.68
Sweden 6½ 03	2000	101⅞	102⅛	-⅛	6.26
Tennessee Valley 6 00	1000	101	101¼	-½	5.83
Tennessee Valley 6⅜ 05	2000	100½	100⅞	-⅛	6.40
Tokyo Elec Power 6⅝ 03	1000	98⅞	98⅞	-1⅛	6.36
Toyota Motor 5⅝ 98	1500	100⅝	100⅞	-¼	5.29
United Kingdom 7¼ 02	3000	106⅛	107	-⅛	6.00
World Bank 6⅜ 05	1500	100¼	100⅞	-1	6.37
World Bank 6⅜ 99	1500	109⅛	109½	-⅛	3.54
World Bank 8⅜ 97	1500	103⅝	103⅞	-⅛	5.10
DEUTSCHE MARK STRAIGHTS					
Austria 6½ 24	2000	90	90¼	-⅛	7.35
Baden-Wuertt L-Finance 6 99	2000	103¼	103⅝	-¼	4.87
Credit Foncier 7¼ 03	2000	96⅞	97⅛	-⅛	7.86
Denmark 6¼ 98	2000	103⅝	103⅞		4.30
Depfa Finance 6½ 03	1500	99½	99⅞	-⅛	6.50
Deutsche Bk Fin 7½ 00	2000	104⅞	105⅛	-⅛	6.60
EEC 6½ 00	2000	104⅛	104⅜	-⅛	5.34
EIB 6¼ 00	1500	103⅛	103⅜	-⅛	5.38
Finland 7½ 00	3000	107½	107⅞	-⅛	5.33
Italy 7¼ 98	5000	105⅛	105½		4.32
LKB Baden-Wuertt 6½ 08	2250	99⅝	99⅞	-¼	6.90
Norway 9¼ 99	1500	103⅝	103⅞	-⅛	4.35
Ontario 6¼ 04	1500	97½	97¾	-⅛	6.66
Spain 7¼ 03	4000	105	105	-⅛	6.34
Sweden 8 97	2500	106⅛	106½		4.01
United Kingdom 7¼ 97	5500	105⅛	105¼		3.88
Volkswagen Intl Fin 7 00	1000	102½	102¾	+⅛	6.55
World Bank 0 15	2000	28⅝	29⅛	-⅛	6.52
World Bank 5⅞ 03	3000	97⅞	98	-⅛	8.22
SWISS FRANC STRAIGHTS					
Asian Dev Bank 0 16	500	35	35½	+¼	5.40
Austria 4½ 00	1000	104⅛	104⅝		3.20
Council Europe 4¾ 98	250	103½		-¼	2.90
Denmark 4¼ 99	1000	104¼	104⅝	+⅛	2.98
EIB 3¼ 99	1000	103⅛	103¾		2.62
EIB 6¾ 04	500	112⅛	114		4.95
Finland 7¼ 99	500	112⅝	113	+⅛	3.54
Iceland 7⅜ 00	100	112⅝	113	+¼	4.38
Inter Amer Dev 4¾ 03	600	102⅝	103¼		4.31
Ontario 6¼ 03	400	110	110½	+¼	4.53
Quebec Hydro 5 08	100	100	101		5.00
SNCF 7 04	450	116⅝	117⅛		4.60
Sweden 4¾ 03	500	102⅛	102⅝		4.39
World Bank 0 21	700	25⅜	26½		5.41
World Bank 7 01	600	113½	114½	+¼	3.96
YEN STRAIGHTS					
Belgium 5 99	75000	109⅝	109⅞	-⅛	2.33
Credit Foncier 4¾ 02	75000	101⅞	102	+⅛	4.43
EIB 6⅝ 00	100000	116⅛	116⅜	-⅛	2.40
Ex-Im Bank Japan 4⅜ 03	105000	107¼	107½	-⅛	3.28
Inter Amer Dev 7¼ 00	30000	119⅛	119⅜	-⅛	2.42
Italy 3½ 01	300000	102⅛	102¼	-⅛	3.09
Italy 5 04	200000	109¾	110	-⅛	3.68
Japan Dev Bk 5 99	100000	109⅞	110	-⅛	2.12
Japan Dev Bk 6½ 01	120000	118⅝	119¼	-⅛	2.83
SNCF 6¾ 00	30000	116⅛	116⅜	-⅛	2.42
Spain 5¼ 02	125000	115	115¼	-⅛	3.01
Sweden 4½ 98	150000	105¾	105⅞	-⅛	1.59
World Bank 5¼ 02	250000	113	113⅛	-⅛	2.91
OTHER STRAIGHTS					
Finland 6 04 LFr	5000	107	108		6.88
Genfinance Lux 9¼ 99 LFr	1000	108½			6.05
IKB Deut Industrie 6½ 03 LFr	3000	107	108		7.17
ABN Amro 6⅝ 00 Fl	1000	104⅛	104⅝		5.44
Bank Ned Gemeenten 7 03 Fl	1500	104⅝	105	+⅛	6.17
Bell Canada 10⅝ 99 C$	150	110⅞	111⅜	-⅛	6.89
British Columbia 7¾ 03 C$	1250	101⅞	101⅝	-1⅛	7.84
Canada Mtg & Hsg 8¾ 99 C$	1000	105¼	105½	-⅛	6.63
EIB 10⅛ 98 C$	130	107½	108¼	-⅛	6.10
Elec de France 8¾ 99 C$	275	109⅛	109⅝	-⅛	6.74
KfW Int Fin 10 01 C$	400	111¼	111⅝	-⅛	7.25
Nippon Tel Tel 10¼ 99 C$	200	110⅛	111⅛	-⅛	6.80
Ontario 8 03 C$	1500	102⅞	102⅝	-1⅛	7.70
Ontario Hydro 10⅞ 99 C$	500	111½	111⅞	-½	6.53
Oster Kontrollbank 10¼ 99 C$	150	110⅝	111⅛	-⅛	6.65
Quebec Hydro 7 04 C$	1000	94	94¼	-⅛	8.16
Quebec Prov 10½ 98 C$	200	109½	109⅞	-⅛	6.60
Council Europe 9 01 Ecu	1100	110⅜	110⅝	-½	6.74
Credit Foncier 8⅛ 04 Ecu	1000	97⅛	97⅝	-⅛	8.89
Denmark 8½ 02 Ecu	1000	108⅛	108⅞	-⅛	6.74
EC 6 00 Ecu	1100	99⅝	99⅞	-⅛	6.09
EIB 10 01 Ecu	1150	114	114⅛	-⅛	6.57
Ferro del Stat 10⅛ 98 Ecu	500	107⅞	108⅛	-⅛	5.55
Italy 10⅝ 00 Ecu	1000	114½	114⅞	-⅛	6.62
United Kingdom 9⅛ 01 Ecu	2750	111⅛	111⅜	-⅛	6.45
AIDC 10 99 A$	100	104⅛	104⅜	-⅛	8.40
Comm Bk Australia 13¾ 99 A$	100	115⅝	116⅛	-⅛	8.45
EIB 7⅝ 99 A$	350	100	100½	-⅛	7.91
NSW Treasury Zero 0 20 A$	1000	11¼	11⅜	-⅛	8.23
R & I Bank 7¾ 03 A$	125	94½	95	-⅛	8.79
State Bk NSW 9 02 A$	300	101⅛	101⅜	-⅛	8.70
Sth Aust Govt Fin 6 02 A$	150	101	101½	-⅛	8.77
Unilever Australia 12 98 A$	150	105⅛	107⅛	-⅛	8.36
Western Aust Treas 7⅝ 98 A$	100	98⅝	98⅞	-⅛	8.17
Abbey Natl Treasury 8 03 £	1000	98⅞	99⅛	-⅛	8.21
Alliance Leics 11¼ 97 £	100	105¼	105⅝	-⅛	6.83
British Land 9⅞ 23 £	150	89¼	89⅞	-1	10.28
Denmark 6¾ 98 £	800	99½	99⅞	-⅛	6.95
EIB 8 03 £	1000	100	100⅛	-⅛	7.99
Halifax 10⅜ 97 £	100	103¼	104		6.45
Hanson 10⅜ 97 £	500	105	105⅛		7.01
HSBC Holdings 11.69 02 £	153	115¼	115⅝	-⅛	8.49
Italy 10½ 14 £	400	109⅞	110¼	-⅛	9.34
Japan Dev Bk 7 00 £	200	98½	98⅞	-⅛	7.38
Land Secs 9½ 02 £	200	102⅞	103¼	-⅛	9.07
Ontario 11⅛ 01 £	100	112⅞	113¼	-⅛	7.89
Powergen 8⅞ 03 £	250	102½	102⅞	-⅛	8.39
Severn Trent 11½ 99 £	150	111⅛	111⅝	-¼	7.53
Tokyo Elec Power 11 01 £	150	113⅛	113½	-⅛	7.85
TCNZ Fin 9¼ 02 NZ$	75	105⅞	106⅛	-⅛	8.12
World Bank 12½ 97 NZ$	250	105⅛	105⅜	-⅛	8.65
Credit Local 6 01 FFr	7000	98⅞	99	-½	6.23
Elec de France 8¾ 22 FFr	3000	113¼	113⅜	-1	7.57
SNCF 9¼ 97 FFr	4000	104⅞	104⅞	-⅛	4.91

FLOATING RATE NOTES

	Issued	Bid	Offer	C.cpn
Abbey Natl Treasury -1/16 99	1000	99.83	99.90	5.7500
Bankamerica ⅛ 99	750	99.82	99.92	5.9375
Belgium ⅛ 97 DM	500			4.4375
Canada -⅛ 99	2000	99.51	99.58	5.0547
CCCE 0 05 Ecu	200	99.47	99.63	5.2812
Commerzbank O/S Fin -⅛ 98	750	99.72	99.80	5.7500
Credit Lyonnais ⅛ 00	300	97.85	98.29	5.5000
Credit Lyonnais 0.30 98	1250	100.05	100.13	5.7414
Denmark -⅛ 97	1000	100.00	100.06	5.6875
Dresdner Finance ½ 98 DM	1000	100.02	100.10	3.4688
Ferro del Stat 0.10 97	420	100.08	100.24	3.7500
Finland 0 97	1000	100.16	100.21	5.4492
Finland -⅛ 99	1500	99.75	99.82	5.1875
IMI Bank Intl ¼ 98	500	100.17	100.27	6.1250
Italy ⅛ 99	1500	99.90	99.98	5.5625
Italy ¼ 98	2000	100.07	100.15	5.9375
LKB Baden-Wuert Fin -⅛ 98	1000	99.92	99.98	5.6875
Lloyds Bank Perp S 0.10	600	82.50	83.38	5.9655
Malaysia ⅛ 05	650	99.67	99.92	6.0000
New Zealand -⅛ 99	1000	99.89	99.97	5.4805
Nova Scotia ⅛ 99	500	99.97	100.06	5.4883
Ontario 0 99	2000	99.80	99.97	5.8750
Renfe 0 98	500	99.76	99.91	5.6250
State Bk Victoria 0.05 99	125	99.98	100.11	5.6872
Sweden 0 98	1500	100.03	100.09	5.8750
Sweden -⅛ 01	2000	99.62	99.70	5.1758

CONVERTIBLE BONDS

	Issued	Conv. Price	Bid	Offer	Prem.
Chubb Capital 6 98	250	88	116	117	+0.77
Gold Kalgoorlie 7½ 00	65	1.37	120¼	121¼	+14.89
Grand Metropolitan 6½ 00	710	4.37	113⅛	113⅞	+13.61
Hanson 9½ 06 £	500	2.48	100	100⅝	+31.58
Hanson America 2.39 01	420	29.6375	81⅝	82¼	+68.84
Hong Kong Land 4 01	410	31.05	86½	87⅜	-13.27
Land Secs 6¾ 02 £	84	6.72	97¼	99¼	+8.98
Lasmo 7¾ 05 £	90	5.84	90½	91⅝	
Mitsui Bank 2⅝ 00	200	2332.6	85	86⅝	+35.25
Mount Isa Fin 6½ 97	100	2.283	99	100	+79.87
Natl Power 6¼ 08 £	250	4.33	112½	113¾	+0.03
Ogden 9 02	85	39.077	95⅞	97¼	+69.33
Pennzoil 4¾ 03	500	58.8097	105	106	+7.86
Sappi BVI Finance 7½ 02	250	76	94½	95¼	+51.51
Sumitomo Bank 3⅛ 04	300	3606.9	85⅝	87½	+30.86
Sun Alliance 7¼ 08 £	155	3.9	105⅛	106⅛	+4.29
Transatlantic Hldgs 5½ 08 £	250	5.05	77	78	+17.48

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

UK GILTS PRICES

Notes	Yield Int	Yield Red	Price £	+ or -	52 week High	52 week Low
Shorts (Lives up to Five Years)						
Treas 15¼pc 1996‡‡	15.09	5.98	101 11/32	-1/16	108⅞	101 11/16
Exch 13¼pc 1996‡‡	13.05	6.00	101⅝	—	106⅝	101 13/16
Conversion 10pc 1996	9.74	6.05	102 11/16	-1/16	104 13/32	102 11/16
Treas 13¼pc 1997‡‡	12.47	6.13	106 5/16	-1/16	109 13/16	106 5/16
Exch 10½pc 1997	10.08	6.13	104⅛	—	105 13/16	104⅛
Treas Cnv 7pc 1997‡‡	6.93	6.33	100 13/16	-⅛	101 13/16	97⅝
Treas 8¾pc 1997‡‡	8.46	6.35	103 13/32	-⅛	104⅞	100⅞
Exch 15pc 1997	13.24	6.44	113⅜	-1/16	117⅜	113⅜
Exch 9¾pc 1998	9.23	6.54	105 21/32	-3/16	107⅛	102⅞
Treas 7¼pc 1998‡‡	7.16	6.61	101¼	-3/16	102⅜	96 13/16
Treas 6¾pc 1995-98‡‡	6.73	6.64	100¼	-⅛	100⅝	94⅞
Treas 15½pc '98‡‡	12.88	6.76	120⅝	-3/16	124⅛	120⅝
Exch 12pc 1998	10.66	6.87	112⅝	-3/16	114⅝	109⅞
Treas 9½pc 1999‡‡	8.91	6.91	106 21/32	-3/16	108⅞	102 13/16
Treas Flg Rate 1999	-	-	100⅛	—	100 13/32	99⅞
Exch 12¼pc 1999	10.71	6.99	114⅜	-¼	116 21/32	111⅞
Treas 10½pc 1999	9.56	7.00	109 13/16	-3/16	112⅝	105⅞
Treas 6pc 1999‡‡	6.19	7.03	96 13/16	-3/16	98 13/16	90⅝
Conversion 10¼pc 1999	9.31	7.13	110⅛	-¼	112 13/16	105⅛
Conv 9pc 2000‡‡	8.47	7.19	105⅞xd	-3/16	108 13/16	100 13/16
Treas 13pc 2000	10.73	7.28	121⅛	-¼	124 13/16	117
Treas 14pc 1998-1	12.18	7.22	114 13/16	-¼	117¾	114⅝
Treas 8pc 2000‡‡	7.77	7.24	103	-¼	105⅞	98⅝
Five to Fifteen Years						
Treas 10pc 2001	9.03	7.39	110⅞	-½	114	104 13/16
Treas 7pc 2001‡‡	7.14	7.43	98⅛	-⅜	101⅛	90⅞
Treas 9¾pc 2002	8.69	7.52	110 13/16	-½	114⅝	103 13/16
Treas 8pc 2003‡‡	7.86	7.70	101 13/16	-⅝	105 13/16	94⅝
Treas 10pc 2003	8.88	7.74	112 21/32	-⅝	117⅛	105⅞
Treas 11½pc 2001-4	9.87	7.53	116 13/16	-⅝	119 13/16	110 13/16
Funding 3½pc 1999-4	4.35	6.85	80⅝	-⅛	83 13/16	70½
Conversion 9½pc 2004	8.98	7.81	109 13/16	-⅝	114⅛	103⅝
Treas 9¼pc 2004‡‡	7.27	7.90	92 13/16	-⅝	96 13/16	88⅛
Conv 9½pc 2005	8.65	7.86	109 13/16	-⅝	114 13/16	103⅝
Treas 12½pc 2003-5	9.89	7.87	126 13/16	-⅝	131⅛	118 13/16
Treas 8½pc 2005‡‡	8.19	7.93	103¾	-⅜	108 13/16	97⅞
Treas 7½pc 2006‡‡	7.76	7.97	96⅝	-⅜	101 13/16	94 13/16
Treas 7¾pc 2006‡‡	7.90	8.03	98⅛	-⅜	103¼	92⅛
Treas 8pc 2002-6‡‡	8.03	8.08	99 21/32	-⅜	104⅜	93¼
Treas 11¾pc 2003-7	9.74	7.82	120 21/32	-½	125⅜	113 13/16
Treas 8½pc 2007‡‡	8.23	8.06	103⅛	-⅝	108⅞	97 13/16
Treas 13½pc 2004-8	10.14	7.88	133⅛	-⅝	138 13/16	126⅛
Treas 9pc 2008‡‡	8.41	8.09	107⅛	-⅜	112 13/16	101⅛
Treas 8pc 2009	8.08	8.13	99⅛	-1⅛	104½	94⅛
Treas 6 1/4pc 2010	7.49	8.21	83 13/16	-⅜	88⅝	79⅜
Over Fifteen Years						
Conv 9pc Ln 2011‡‡	8.43	8.22	106¾	-⅜	112 13/16	101 13/16
Treas 9pc 2012‡‡	8.41	8.21	107⅛	-⅜	113⅛	102⅛
Treas 5½pc 2008-12‡‡	7.05	7.86	77 13/16	-1⅛	82¼	72⅛
Treas 8pc 2013‡‡	8.17	8.22	97 13/16	-⅜	103 13/16	93 13/16
Treas 7¾pc 2012-15‡‡	8.08	8.22	95⅞	-1⅛	101 13/16	92
Treas 8pc 2015	8.17	8.21	97 13/16	-⅜	104⅛	93 13/16
Treas 8¾pc 2017‡‡	8.34	8.25	104 13/16	-⅜	111⅝	100 13/16
Exch 12pc 2013-17	8.98	8.33	133 13/16	-1⅛	141 13/16	127⅛
Undated						
Consols 4pc	8.37	-	47 13/16	-⅝	50 13/16	45⅛
War Loan 3½pc‡‡	8.26	-	42 13/16	-⅜	45⅛	40 13/16
Conv 3½pc '61 Aft	5.90	-	59⅜	—	62¼	57⅛
Treas 3pc '66 Aft	8.35	-	35 13/16	-⅛	38⅛	34⅛
Consols 2½pc	8.26	-	30⅜	-⅜	32 13/16	28⅞
Treas. 2½pc	8.35	-	29 13/16	-1/16	32⅜	28⅞

Index-Linked	Notes (b)	Yield (1)	Yield (2)	Price £	+ or -	52 week High	52 week Low
2pc '96	(67.9)	-	0.86	216 13/16	—	216⅞	204⅛
4⅝pc '98‡‡	(135.6)	1.40	2.71	112	-⅛	113⅜	107¼
2½pc '01	(78.3)	2.98	3.50	177¼	-⅝	180⅛	169 13/16
2½pc '03	(78.8)	3.18	3.58	172⅝	-⅜	176⅜	162 13/16
4⅝pc '04‡‡	(135.6)	3.24	3.60	113 13/16	-⅜	116 13/16	108 13/16
2pc '06	(69.5)	3.33	3.61	181⅛	-⅜	185 13/16	169 13/16
2½pc '09	(78.8)	3.44	3.67	162 13/16	-1⅛	167¾	152 13/16
2½pc '11	(74.6)	3.48	3.69	169 13/16	-1⅛	173⅜	157⅜
2½pc '13	(89.2)	3.53	3.72	138⅜	-⅜	143	129⅛
2½pc '16	(81.6)	3.57	3.74	147⅛	-1⅛	152¼	137 13/16
2½pc '20	(83.0)	3.61	3.76	141⅜	-1⅛	146⅛	131 13/16
2½pc '24‡‡	(97.7)	3.60	3.74	117 13/16	-1⅛	122⅛	109⅛
4⅛pc '30‡‡	(135.1)	3.61	3.76	115 13/16	-1⅛	120 13/16	108⅛

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in February 1987. Conversion factor 3.945. RPI for June 1995: 149.8 and for January 1995: 150.2.

Other Fixed Interest

Notes	Yield Int	Yield Red	Price £	+ or -	52 week High	52 week Low
Asian Dev 10¼pc 2009	8.96	8.41	114 13/16	-⅜	120	108 13/16
B'ham 11½pc 2012	9.39	8.89	122½	-1	128	118½
Ireland Cap 8½pc '10	8.04	-	105¾	—	105	97
9pc Cap 1996	8.65	-	104	—	104⅞	100½
13pc '97-2	11.72	-	110⅞	—	111⅞	107
Hydro Quebec 15pc 2011	10.31	9.34	145⅜	-⅜	154 13/16	138 13/16
Leeds 13½pc 2006	10.27	-	131½	-1	136½	128½
Liverpool 3½pc Irred	8.97	-	39	-¼	41	33
LCC 3pc '20 Aft	8.86	-	33½	—	35	27⅞
Manchester 11½pc 2007	9.47	8.56	121½	+1	124½	113½
Met. Wtr. 3pc 'B'	4.03	7.85	74½	—	76	69½
N'wide Anglia 3¾pc 2021	0.03	4.52	137½	-¼	143½	130½
4¼pc IL 2024	-	4.49	132½	-¼	140⅝	125½
Utd Mex States 16½pc 2008	13.15	-	125½	-1	136½	113½

● "Tap" stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock. Prospective real Index-Linked redemption yields are calculated by HSBC Greenwell from Bank of England closing prices.

CURRENCIES AND MONEY

MARKETS REPORT

Bond market slide pulls US dollar lower

By Graham Bowley

A slide in US and European government bond markets on fears of rising global inflationary pressures pushed the dollar lower on the foreign exchanges yesterday.

Fears are growing that financial markets could be set for a re-run of the fierce sell-off in 1994 with the US Treasury market and the dollar most vulnerable to any turn-around.

The pound weakened ahead of the vote in the House of Commons on the Scott Report on the sale of arms to Iraq. Sterling finished at DM2.2285, from DM2.235 against the D-Mark. It was unchanged against the dollar $1.54.

Dealers said sterling could weaken sharply in Asian overnight trading if the government lost the vote, which was due to take place late last night.

The dollar finished in Europe at Y104.27, from Y104.9 and at DM1.4471 from DM1.451.

■ Trading elsewhere in Europe was quiet with the D-Mark gaining some ground against currencies ahead of more key German inflation data due this week. The data could intensify speculation of cuts in German interest rates following lower-than-expected money supply growth figures.

The French franc finished almost unchanged against the D-Mark at FFr3.437 from FFr3.436 at Friday's close. The Italian lira closed at L1,076 against the D-Mark, unchanged from the previous finish.

■ Traders and analysts were alarmed at yesterday's steep sell-off in government bond markets which continued last week's decline in most countries' bond prices.

■ Pound in New York		
Feb 26	—Latest—	—Prev. close—
£ spot	1.5405	1.5440
1 mth	1.5390	1.5427
3 mth	1.5371	1.5406
1 yr	1.5250	1.5287

Mr Ian Beauchamp, an economist at Hambros Bank in London, said: "These markets keep breaking through key support levels and we are now getting a little bit worried that it is a re-run of 1994. Any further weakness in bond markets and the dollar will begin to really unnerve people."

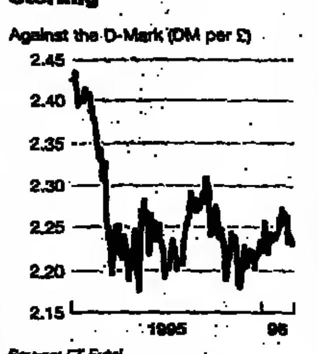
Mr Paul Meggyesi, currency analyst at Deutsche Morgan Grenfell, said: "Bonds are very important for the dollar. The more bonds come under pressure so too will the dollar."

Mr Meggyesi said the dollar would be among the currencies hit hardest if bond markets continued to fall. "If we do see a global contraction of liquidity then those countries that would suffer most are those that need to attract overseas capital flows to fund large current account deficits – such as the US," he said.

He said this was the experience at the beginning of 1994 when the dollar weakened sharply against the yen but

Sterling

Against the D-Mark (DM per £)



Source: FT Extel

less so against the D-Mark.

■ Dealers said the dollar would weaken further unless there was concerted central bank intervention to support the US currency. They said the lack of US intervention last week was one of the reasons for the selling pressures now being exerted against the dollar.

One dealer said: "The market is testing how ambivalent the US administration is towards the dollar. The market really wants to define the US administration's pain threshold."

Analysts are now waiting for key US inflation data due today and tomorrow. Any signs of rising inflationary pressures could further undermine bond markets and the dollar.

Japanese data due this week, including the first quarter Tankan survey on Friday, will also be closely watched for evidence of economic recovery in Japan signalling higher Japanese interest rates.

■ A bearish longer-term outlook for the dollar is painted in analysis from one of the UK's leading economic forecasting groups published today.

Oxford Economic Forecasting says in its *World Economic Prospects* that the conventional wisdom that the dollar is set to appreciate because it is currently undervalued is wrong.

It says that widely used estimates of the dollar's equilibrium value are *misleading* because they are based on only a few currencies. A better indication of US competitiveness is provided by indices which use a broad range of currencies – such as the index used by the Dallas Federal Reserve Bank – which in fact show little change in the real value of the dollar over the last 20 years.

OEF concludes that this could be worrying for the Japanese and European economies which are relying on currency depreciation against dollar to boost economic growth.

"Not only might the hoped-for depreciations not materialise but further real depreciation cannot be ruled out," it says.

POUND SPOT FORWARD AGAINST THE POUND

Feb 26		Closing mid-point	Change on day	Bid/offer spread	Day's high	Day's low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	15.6745	-0.05	660 - 829	15.7460	15.6581	15.6445	2.3	15.562	2.9	-	-	105.4
Belgium	(BFr)	45.8343	-0.1606	106 - 578	45.9100	45.7970	45.7293	2.7	45.5293	2.7	44.6693	2.5	106.7
Denmark	(DKr)	8.9158	-0.0279	110 - 195	8.9253	8.6079	8.6033	1.7	8.5832	1.5	8.4771	1.6	109.7
Finland	(FM)	6.9898	-0.0136	227 - 349	6.9650	6.9150	6.9244	0.6	6.9163	0.7	-	-	84.5
France	(FFr)	7.6562	-0.022	548 - 815	7.6704	7.6397	7.646	1.9	7.627	1.6	7.5473	1.4	109.9
Germany	(DM)	2.2285	-0.007	273 - 296	2.2318	2.2255	2.2235	2.7	2.2136	2.7	2.1714	2.8	111.1
Greece	(Dr)	368.649	-1.191	486 - 809	368.192	365.203	-	-	-	-	-	-	68.0
Ireland	(I£)	0.9689	-0.0012	681 - 697	0.9707	0.9674	0.9679	1.2	0.9665	1.0	0.9625	0.7	97.5
Italy	(L)	2398.47	-5.63	716 - 979	2405.91	2398.17	2405.02	-3.8	2421.87	-3.9	2480.52	-3.4	73.0
Luxembourg	(LFr)	45.8343	-0.1606	106 - 578	45.9100	45.7970	45.7293	2.7	45.5293	2.7	44.6693	2.5	106.7
Netherlands	(Fl)	2.4958	-0.0081	948 - 967	2.4978	2.4928	2.4897	3.0	2.4775	2.9	2.4293	2.7	109.9
Norway	(NKr)	9.7397	-0.0234	307 - 487	9.7828	9.6783	9.7367	1.0	9.7172	0.9	9.6586	0.8	98.2
Portugal	(Es)	231.770	-0.589	630 - 909	232.014	231.262	232.165	-2.2	233.1	-2.3	-	-	95.5
Spain	(Pta)	187.797	-0.519	682 - 922	187.938	187.401	188.217	-2.7	189.072	-2.7	192.152	-2.3	82.3
Sweden	(SKr)	10.3691	+0.0176	590 - 792	10.3796	10.3133	10.3705	-0.2	10.3735	-0.2	10.3819	-0.1	86.5
Switzerland	(SFr)	1.8185	-0.0034	116 - 134	1.8140	1.8081	1.8059	4.4	1.7926	4.4	1.7409	4.0	114.5
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	82.1
Ecu	-	1.2136	-0.0038	130 - 142	1.2148	1.2124	1.2122	1.4	1.2095	1.3	1.1976	1.3	-
SDR†	-	1.045100	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5394	-0.0007	390 - 398	1.5417	1.5379	-	-	-	-	-	-	-
Brazil	(R$)	1.5139	+0.0015	134 - 144	1.5151	1.5099	-	-	-	-	-	-	-
Canada	(C$)	2.1202	-0.0011	193 - 210	2.1244	2.1169	2.1185	0.9	2.1158	0.8	2.1059	0.7	83.3
Mexico	(New Peso)	11.6344	+0.0587	240 - 447	11.6447	11.6303	-	-	-	-	-	-	-
USA	($)	1.5400	-0.0004	396 - 403	1.5420	1.5360	1.5388	0.9	1.5359	1.1	1.5241	1.0	94.8
Pacific/Middle East/Africa													
Australia	(A$)	2.0350	+0.0006	338 - 361	2.0376	2.0254	2.0389	-1.1	2.0417	-1.3	2.065	-1.5	87.7
Hong Kong	(HK$)	11.9089	-0.0036	034 - 104	11.9221	11.8926	11.8964	1.1	11.8841	0.8	11.8391	0.6	-
India	(Rs)	55.2766	-0.5686	255 - 276	55.9320	55.2255	-	-	-	-	-	-	-
Israel	(Shk)	4.7631	-0.0109	789 - 873	4.7944	4.7785	-	-	-	-	-	-	-
Japan	(Y)	160.571	-0.973	466 - 653	161.550	160.340	159.806	5.7	158.316	5.6	152.421	5.1	136.6
Malaysia	(M$)	3.9180	-0.0181	163 - 196	3.9319	3.9147	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.2240	-0.0027	731 - 765	2.2862	2.2717	2.2786	-2.0	2.2818	-3.0	2.3256	-2.2	105.4
Philippines	(Peso)	40.3980	+0.0357	990 - 790	40.3790	40.2990	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.7756	-0.0015	740 - 772	5.7830	5.7686	-	-	-	-	-	-	-
Singapore	(S$)	2.1652	-0.0044	639 - 664	2.1687	2.1635	-	-	-	-	-	-	-
South Africa	(R)	5.8880	-0.0501	828 - 932	5.9517	5.8828	-	-	-	-	-	-	-
South Korea	(Won)	1201.08	-0.78	073 - 143	1202.61	1199.64	-	-	-	-	-	-	-
Taiwan	(T$)	42.3433	+0.0106	313 - 552	42.3973	42.2885	-	-	-	-	-	-	-
Thailand	(Bt)	38.7452	-0.0794	209 - 694	38.8100	38.7110	-	-	-	-	-	-	-

1 Rates for Feb 23 Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Feb 26		Closing mid-point	Change on day	Bid/offer spread	Day's high	Day's low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P. Morgan index
Europe													
Austria	(Sch)	10.1785	-0.0298	754 - 817	10.1980	10.1580	10.1626	1.9	10.1311	1.9	10.0086	1.7	106.3
Belgium	(BFr)	29.7635	-0.0963	550 - 720	29.8220	29.7200	29.7185	1.9	29.6265	1.9	29.2935	1.6	108.4
Denmark	(DKr)	5.5945	-0.0167	930 - 960	5.6071	5.5875	5.5911	0.7	5.5855	0.6	5.602	-0.1	105.8
Finland	(FM)	4.4904	-0.0077	864 - 023	4.5113	4.4808	4.4949	1.2	4.4894	1.2	-	-	83.8
France	(FFr)	4.9730	-0.013	720 - 740	4.9820	4.9617	4.9689	1.0	4.9633	0.8	4.949	0.5	109.5
Germany	(DM)	1.4471	-0.0042	467 - 475	1.4500	1.4441	1.445	1.7	1.4405	1.9	1.4238	1.6	110.4
Greece	(Dr)	239.390	-0.705	340 - 440	240.000	238.940	240.905	-7.6	244.215	-8.1	258.89	-8.1	65.5
Ireland	(I£)	1.5894	+0.0015	884 - 903	1.5920	1.5880	1.5897	-0.2	1.5899	-0.1	1.5839	0.3	-
Italy	(L)	1557.50	-3.25	700 - 800	1563.26	1556.50	1563.85	-4.9	1575.6	-4.6	1626.5	-4.4	72.5
Luxembourg	(LFr)	29.7635	-0.0963	550 - 720	29.8220	29.7200	29.7115	2.1	29.6235	1.8	29.3185	1.5	108.3
Netherlands	(Fl)	1.6207	-0.0049	204 - 209	1.6235	1.6170	1.6177	2.3	1.6112	2.4	1.589	2.0	108.3
Norway	(NKr)	6.3241	-0.0135	203 - 278	6.3616	6.2917	6.3219	0.4	6.3196	0.7	6.2966	0.4	95.4
Portugal	(Es)	150.505	-0.33	450 - 560	150.830	150.180	150.86	-4.0	151.65	-3.0	155.255	-3.2	95.6
Spain	(Pta)	121.950	-0.305	900 - 010	122.150	121.600	122.345	-3.9	123.08	-3.7	126.57	-3.8	82.1
Sweden	(SKr)	6.7334	+0.0131	284 - 384	6.7482	6.6945	6.7504	-3.0	6.7769	-2.8	6.9174	-2.7	86.3
Switzerland	(SFr)	1.1770	-0.0019	767 - 773	1.1782	1.1721	1.1734	3.7	1.1665	3.6	1.1427	2.9	114.2
UK	(£)	1.5400	-0.0004	396 - 403	1.5420	1.5360	1.5388	0.9	1.5369	0.8	1.5241	1.0	82.7
Ecu	-	1.2690	-0.0067	686 - 693	1.2714	1.2667	1.2693	-0.3	1.2699	-0.2	1.2703	-0.1	-
SDR†	-	0.67990	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9997	-0.0002	996 - 997	1.0000	0.9997	-	-	-	-	-	-	-
Brazil	(R$)	0.9831	+0.0012	830 - 832	0.9833	0.9811	-	-	-	-	-	-	-
Canada	(C$)	1.3766	-0.0004	765 - 770	1.3785	1.3760	1.377	-0.1	1.3771	-0.1	1.3821	-0.4	82.4
Mexico	(New Peso)	7.5550	+0.04	500 - 600	7.5600	7.5020	7.5572	-0.4	7.5604	-0.3	7.5553	-0.1	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	95.9
Pacific/Middle East/Africa													
Australia	(A$)	1.3214	-0.0001	210 - 219	1.3219	1.3210	1.3234	-1.8	1.3269	-1.7	1.3456	-1.8	88.9
Hong Kong	(HK$)	7.7320	-0.0005	315 - 325	7.7325	7.7315	7.7327	-0.1	7.7345	-0.1	7.7615	-0.4	-
India	(Rs)	35.8950	-0.36	700 - 200	35.9200	35.8600	36.045	-5.0	36.35	-5.1	37.82	-5.4	-
Israel	(Shk)	3.1050	-0.0063	040 - 060	3.1145	3.1040	-	-	-	-	-	-	-
Japan	(Y)	104.270	-0.605	240 - 300	104.880	104.120	103.835	5.0	103.035	4.7	99.665	4.1	138.3
Malaysia	(M$)	2.5442	-0.0098	437 - 447	2.5625	2.5430	2.5451	-0.4	2.5512	-1.1	2.5747	-1.2	-
New Zealand	(NZ$)	1.4771	-0.0013	765 - 780	1.4780	1.4765	1.4802	-2.5	1.486	-2.4	1.5196	-2.3	-
Philippines	(Peso)	26.1950	+0.03	750 - 150	26.2150	26.1750	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7505	-	503 - 507	3.7507	3.7503	3.751	-0.1	3.7517	-0.1	3.755	-0.1	-
Singapore	(S$)	1.4060	-0.0025	055 - 065	1.4077	1.4055	1.4024	3.0	1.3964	2.7	1.371	2.5	-
South Africa	(R)	3.8235	-0.0316	210 - 260	3.8640	3.8210	3.8523	-9.0	3.9038	-8.4	4.127	-7.9	-
South Korea	(Won)	779.950	-0.3	900 - 000	780.600	779.800	782.95	-4.6	786.45	-3.3	804.95	-3.2	-
Taiwan	(T$)	27.4965	+0.014	950 - 980	27.4980	27.4950	27.5165	-0.9	27.5565	-0.9	-	-	-
Thailand	(Bt)	25.1600	-0.045	500 - 700	25.1960	25.1500	25.2587	-4.7	25.4625	-4.8	26.345	-4.7	-

† SDR rate per $ for Feb 23. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Feb 23: Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

February 26	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	3¼	3¼	3¼	3⅜	3¼	7.00	3.00	-
week ago	3⅜	3¼	3⅜	3⅜	3¼	7.00	3.00	-
France	4⅜	4⅛	4⅜	4⅜	4⅜	3.80	-	5.60
week ago	4⅜	4¼	4⅜	4⅜	4⅜	3.80	-	5.60
Germany	3⅜	3⅜	3⅜	3⅜	3⅜	5.00	3.00	3.30
week ago	3⅜	3⅜	3⅜	3⅜	3⅜	5.00	3.00	3.30
Ireland	5⅜	5⅜	5⅜	5⅜	5⅜	-	-	6.25
week ago	5⅜	5⅜	5⅜	5⅜	5⅜	-	-	6.25
Italy	10⅜	10	9⅞	9⅝	9⅜	-	9.00	9.72
week ago	10⅜	10	10⅛	10⅛	10	-	9.00	9.72
Netherlands	3⅜	3⅛	3⅜	3⅜	3⅜	-	3.00	3.30
week ago	3⅜	3⅛	3⅜	3⅜	3⅜	-	3.00	3.30
Switzerland	1⅜	1⅛	1⅜	1⅜	1⅜	5.00	1.50	-
week ago	1	1⅛	1⅜	1⅜	1⅜	3.00	1.50	-
US	5⅛	5⅛	5⅛	5⅛	5⅛	-	5.00	-
week ago	5⅛	5⅛	5⅛	5⅛	4⅞	-	5.00	-
Japan	½	½	½	½	½	-	0.50	-
week ago	½	½	½	½	½	-	0.50	-
■ $ LIBOR FT London Interbank Fixing	-	5⅜	5⅛	5⅛	5⅛			
week ago	-	5⅜	5⅛	5⅛	5			
US Dollar CDs	-	5.04	4.90	4.92	4.93			
week ago	-	5.04	4.96	4.85	4.72			
ECU Linked Ds	-	4⅜	4⅜	4⅜	4⅜			
week ago	-	4⅜	4⅜	4⅜	4⅜			
SDR Linked Ds	-	3⅜	3⅜	3⅜	3⅜			
week ago	-	3⅜	3⅜	3⅜	3⅜			

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster. Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Feb 26	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D-Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portuguese Esc.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate (FFr5m)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	95.50	95.44	-0.09	95.53	95.41	20,325	50,880
Jun	95.55	95.48	-0.10	95.57	95.46	11,358	56,486
Sep	95.53	95.47	-0.10	95.58	95.43	2,714	45,920

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.62	96.60	-0.02	96.62	96.60	18295	158132
Jun	96.67	96.64	-0.04	96.68	96.63	28919	175804
Sep	96.51	96.45	-0.06	96.53	96.44	27824	190995
Dec	96.26	96.14	-0.14	96.27	96.12	32375	157305

■ THREE MONTH EUROLIRA FUTURES (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	90.19	90.08	-0.10	90.19	90.07	5813	35889
Jun	90.64	90.57	-0.10	90.66	90.55	5581	33380
Sep	91.00	90.85	-0.12	91.00	90.83	851	15031
Dec	91.11	91.03	-0.12	91.11	91.03	467	12614

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	98.29	98.27	-0.02	98.29	98.25	2399	20566
Jun	98.21	98.19	-0.03	98.22	98.19	4229	20626
Sep	98.01	97.98	-0.04	98.01	97.95	1272	12497
Dec	97.71	97.67	-0.07	97.71	97.65	687	7815

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	95.27	95.25	-0.05	95.29	95.24	1002	7956
Jun	95.36	95.33	-0.07	95.38	95.31	509	4900
Sep	95.30	95.24	-0.11	95.30	95.25	174	3116
Dec	95.14	95.03	-0.11	95.14	95.02	322	3053

* LIFFE futures also traded on APT

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9000	0.20	0.80	1.27	0.12	0.23	0.32
9025	0.09	0.62	1.09	0.26	0.30	0.39
9050	0.03	0.44	0.92	0.45	0.37	0.47

Est. vol. total, Calls 850 Puts 114. Previous day's open int., Calls 25569 Puts 19976

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Feb 26		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.80	16.71	4.861	2.112	5232	5.446	21.25	505.6	409.8	22.63	3.956	2.182	4.626	3.360	350.2	2.649
Denmark	(DKr)	53.20	10	8.889	2.586	1.124	2784	2.897	11.30	268.8	219.0	12.04	2.104	1.161	2.461	1.788	186.3	1.409
France	(FFr)	59.85	11.25	10	2.909	1.264	3131	3.259	12.72	302.6	245.2	13.54	2.367	1.306	2.768	2.011	209.6	1.585
Germany	(DM)	20.57	3.867	3.437	1	0.434	1076	1.120	4.371	104.0	84.29	4.654	0.814	0.449	0.952	0.691	72.04	0.545
Ireland	(I£)	47.35	8.900	7.911	2.302	1	2477	2.579	10.06	239.4	194.0	10.71	1.873	1.033	2.190	1.591	165.8	1.254
Italy	(L)	1.911	0.359	0.319	0.093	0.040	100.	0.104	0.406	9.662	7.832	0.432	0.076	0.042	0.088	0.064	6.693	0.051
Netherlands	(Fl)	18.36	3.452	3.068	0.893	0.388	960.7	1	3.901	92.83	75.24	4.155	0.726	0.401	0.849	0.617	64.30	0.486
Norway	(NKr)	47.06	8.847	7.864	2.288	0.994	2463	2.563	10	237.9	192.8	10.65	1.862	1.027	2.177	1.581	164.8	1.247
Portugal	(Es)	19.78	3.718	3.305	0.962	0.419	1035	1.077	4.203	100.	81.05	4.476	0.782	0.432	0.915	0.665	69.27	0.524
Spain	(Pta)	24.40	4.587	4.078	1.186	0.515	1277	1.328	5.185	123.4	100.	5.522	0.965	0.532	1.129	0.820	85.48	0.646
Sweden	(SKr)	44.19	8.308	7.385	2.149	0.933	2312	2.407	9.391	223.4	181.1	10	1.748	0.964	2.044	1.485	154.8	1.171
Switzerland	(SFr)	25.28	4.752	4.224	1.229	0.534	1323	1.377	5.371	127.8	103.9	5.720	1	0.552	1.169	0.849	88.53	0.670
UK	(£)	45.83	8.615	7.658	2.228	0.968	2398	2.496	9.738	231.7	187.8	10.37	1.813	1	2.120	1.540	160.5	1.214
Canada	(C$)	21.62	4.064	3.612	1.051	0.457	1131	1.177	4.593	109.9	88.58	4.892	0.855	0.472	1	0.726	75.71	0.573
US	($)	29.76	5.594	4.973	1.447	0.629	1557	1.621	6.323	150.5	121.9	6.734	1.177	0.649	1.377	1	104.2	0.788
Japan	(Y)	28.55	5.368	4.771	1.388	0.603	1494	1.555	6.067	144.4	117.0	6.461	1.130	0.623	1.321	0.960	100.	0.756
Ecu		37.75	7.096	6.308	1.835	0.797	1975	2.056	8.021	190.9	154.7	9.642	1.493	0.824	1.746	1.269	132.2	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10: Belgian Franc, Yen, Escudo, Lire and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.6924	0.6907	-0.0011	0.6925	0.6904	26,830	65,908
Jun	0.6960	0.6939	-0.0011	0.6955	0.6936	741	8,237
Sep	0.6981	0.6968	-0.0012	0.6981	0.6968	1	1,502

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.8602	0.8575	-0.0023	0.8614	0.8570	579	2,682
Sep	0.8675	0.8675	+0.0010	0.8675	0.8675	30	246

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.9576	0.9614	+0.0041	0.9635	0.9609	15,804	70,752
Jun	0.9682	0.9724	+0.0042	0.9745	0.9682	288	5,622
Sep	0.9825	0.9825	+0.0042	0.9825	0.9825	47	625

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	1.5402	1.5370	-0.0040	1.5402	1.5370	13,064	42,211
Jun	1.5370	1.5350	-0.0026	1.5370	1.5340	172	10,435
Sep	-	1.5360	-	-	1.5340	3	9

UK INTEREST RATES

LONDON MONEY RATES

Feb 26	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6¾ - 5¾	9⅛ - 6⅛	6¼ - 6⅛	6⅛ - 6⅛	6⅛ - 6⅛	6⅛ - 9⅞
Sterling CDs	-	-	6¼ - 6⅜	6⅛ - 6⅛	6⅛ - 6⅛	6⅜ - 6⅛
Treasury Bills	-	-	6⅛ - 6⅛	9 - 5⅞	-	-
Bank Bills	-	-	6⅛ - 6⅜	9 - 5⅞	5⅞ - 5⅞	-
Local authority deps.	6⅝ - 6⅞	6⅜ - 6⅜	6¼ - 6⅜	6⅛ - 6⅛	6⅛ - 5⅞	6⅛ - 5⅞
Discount Market deps	6¼ - 5	6⅝ - 6⅞	-	-	-	-

UK clearing bank base lending rate 9¼ per cent from January 19, 1996

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1¼pc.
Ave. tender rate of discount 5.9280pc. ECGD fixed rate Stg. Export Finance. Make up day Jan 31, 1996. Agreed rate for period Feb 26, 1996 to Mar 25, 1996, Schemes II & III 7.69pc. Reference rate for period Dec 30, 1995 to Jan 31, 1996, Schemes IV & V 6.440pc. Finance House Base Rate 6.5pc from February 1, 1996

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.89	93.88	-0.02	93.89	93.97	7678	53284
Jun	93.91	93.81	-0.03	93.93	93.88	19807	77748
Sep	93.78	93.79	-0.05	93.82	93.75	12501	56409
Dec	93.58	93.54	-0.08	93.58	93.50	8617	44836
Mar	93.29	93.24	-0.09	93.29	93.22	2433	31744

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9375	0.17	0.30	0.38	0.04	0.14	0.34
9400	0.04	0.15	0.26	0.19	0.25	0.47
9425	0	0.07	0.17	0.37	0.41	0.63

Est. vol. total, Calls 12866 Puts 4901. Previous day's open int., Calls 153804 Puts 158436

BASE LENDING RATES

Bank	%	Bank	%	Bank	%
Adam & Company	6.25	Duncan Lawrie	6.25	Royal Bk of Scotland	6.25
Allied Trust Bank	6.25	Exeter Bank Limited	7.25	●Singer & Friedlander	6.25
AIB Bank	6.25	Financial & Gen Bank	7.00	●Smith & Williamson Secs.	6.25
●Henry Ansbacher	6.25	●Robert Fleming & Co	6.25	TSB	6.25
Bank of Baroda	6.25	Girobank	9.25	United Bank of Kuwait	6.25
Banco Bilbao Vizcaya	6.35	●Guinness Mahon	6.25	Unity Trust Bank Plc	6.25
Bank of Cyprus	6.25	Habib Bank AG Zurich	6.25	Western Trust	6.25
Bank of Ireland	6.25	●Hambros Bank	6.25	Whiteaway Laidlaw	6.25
Bank of India	6.25	Heritable & Gen Inv Bk.	6.25	Yorkshire Bank	6.25
Bank of Scotland	6.25	●Hill Samuel	6.25		
Barclays Bank	6.25	C. Hoare & Co	6.25		
Brit Bk of Mid East	6.25	Hongkong & Shanghai	6.25		
●Brown Shipley & Co Ltd	6.25	Julian Hodge Bank	6.25		
Citibank NA	6.25	●Leopold Joseph & Sons	6.25		
Clydesdale Bank	6.25	Lloyds Bank	6.25		
The Co-operative Bank	6.25	Meghraj Bank Ltd	6.25		
Coutts & Co	6.25	Midland Bank	6.25		
Credit Lyonnais	6.25	* Mount Credit Corp	6.25		
Cyprus Popular Bank	6.25	NatWestminster	6.25		
		●Rea Brothers	6.25		

● Members of London Investment Banking Association
* In administration

EMS EUROPEAN CURRENCY UNIT RATES

Feb 26	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Spain	162.493	158.972	+0.038	-2.17	5.81	15
Netherlands	2.15214	2.11195	-0.00174	-1.87	5.49	14
Belgium	39.3960	38.7944	-0.0319	-1.53	5.12	11
Austria	13.4383	13.2657	-0.011	-1.28	4.86	9
Germany	1.91007	1.88587	-0.00158	-1.27	4.85	13
Denmark	7.28580	7.29205	-0.00598	0.09	3.43	-1
Portugal	195.792	196.241	+0.059	0.23	3.28	-2
France	6.40608	6.48030	-0.00317	1.19	2.33	-10
Ireland	0.792214	0.820083	+0.002131	3.52	0.00	-24
NON ERM MEMBERS						
Greece	292.867	312.248	-0.114	6.62	-2.91	-
Italy	2106.15	2033.68	-0.55	-3.44	7.21	-
UK	0.786652	0.846598	+0.004354	7.62	-3.81	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Feb	CALLS Mar	CALLS Apr	PUTS Feb	PUTS Mar	PUTS Apr
1.490	-	-	-	0.05	-	-
1.500	4.27	4.47	4.81	0.05	0.37	0.71
1.510	3.31	3.85	4.07	0.14	0.48	0.98
1.520	2.51	2.91	3.39	0.28	0.75	1.30
1.530	1.71	2.30	2.77	0.28	1.09	1.69
1.540	1.07	1.73	2.28	0.41	1.51	2.14

Previous day's vol., Calls 11,934 Puts 3,794 . Prev. day's open int., Calls 173,400 Puts 191,892

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	94.77	94.75	-0.02	94.77	94.75	56,946	347,063
Jun	94.94	94.89	-0.06	94.96	94.89	170,718	411,324
Sep	95.01	94.98	-	95.01	94.97	217,912	328,317

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	95.24	95.25	-	95.25	95.23	2,032	5,784
Jun	95.36	95.33	-	95.36	95.32	2,552	6,886
Sep	95.40	95.40	-0.03	95.40	95.40	222	1,355

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Mar	CALLS Apr	CALLS May	CALLS Jun	PUTS Mar	PUTS Apr	PUTS May	PUTS Jun
9650	0.12	0.19	0.21	0.24	0.02	0.08	0.07	0.10
9675	0.02	0.08	0.08	0.10	0.17	0.17	0.19	0.21
9700	0.01	0.01	0.02	0.04	0.41	0.37	0.38	0.40

Est. vol. total, Calls 12980 Puts 10242. Previous day's open int., Calls 389583 Puts 316020

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9825	0.11	0.15	0.17	0.08	0.21	0.43
9850	0.02	0.06	0.08	0.25	0.37	0.59
9875	0.01	0.02	0.04	0.49	0.58	0.80

Est. vol. total, Calls 50 Puts 0. Previous day's open int., Calls 9355 Puts 4272

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Prices for Trading on 27.02.96 Pool purchase price £/MWh	Final Prices for Trading on 20.01.96 Pool purchase price £/MWh	Pool selling price £/MWh
0030	9.88	24.11	27.80
0100	12.53	24.42	28.21
0130	8.53	56.01	59.80
0200	8.53	56.02	59.81
0230	8.53	24.44	28.23
0300	8.53	45.32	49.11
0330	8.53	45.32	49.11
0400	12.53	45.30	49.09
0430	12.51	24.95	28.74
0500	9.88	24.95	28.74
0530	9.19	24.23	28.01
0600	9.80	24.23	28.01
0630	9.68	24.24	28.03
0700	12.58	34.99	39.15
0730	12.86	39.64	44.81
0800	13.13	51.26	56.80
0830	13.45	61.70	70.97
0900	14.03	74.44	85.89
0930	14.95	79.83	91.96
1000	15.14	82.25	94.53
1030	14.67	78.33	90.09
1100	14.28	77.96	89.83
1130	14.29	86.33	99.61
1200	14.22	117.59	133.00
1230	14.11	120.89	138.27
1300	13.74	115.81	130.88
1330	12.96	100.94	113.55
1400	12.84	77.79	89.62
1430	12.80	71.99	82.76
1500	12.78	69.48	79.81
1530	12.14	73.91	85.27
1600	12.95	100.55	116.66
1630	13.56	233.93	270.37
1700	16.47	422.40	476.50
1730	21.34	516.35	589.15
1800	33.81	418.29	482.19
1830	39.22	224.11	251.09
1900	35.87	95.60	109.85
1930	25.34	83.69	72.98
2000	17.70	46.95	53.57
2030	13.81	39.16	44.07
2100	13.15	36.47	40.83
2130	12.92	34.41	38.37
2200	12.82	33.46	37.27
2230	12.53	24.23	28.02
2300	9.68	23.52	27.30
2330	9.16	23.28	27.08
2400	9.19	9.13	9.13

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.86/MWh becomes 1.686p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements, & is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0116 245 6789 between 8.30am and 5.15pm Monday to Friday. ©Energy Settlements and Information Services Limited

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Notes	Price	+ or -	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
Allied Domecq		219	-1	555	476½	5,278	5.7	18.8
Bulmer (HP)		557	—	560	398	294.1	2.8	17.5
Burn St Dist		121	+2	148	99	71.8	5.2	26.0
Grand Met		435xd	-8½	467	363½	9,100	4.3	18.7
Guinness		442	-4	539	404	8,954	4.0	13.7
Highland		399	+5	408	315	478.2	2.6	15.8
Kirin Y		769¼	+4¼	806	621	8,095	6.8	29.4
Macallan-Glen		164	+3	217	157	192.5	1.0	38.4
Macdas Martin A		643	—	680	600	88.1	2.1	18.1
Matthew Clark		606xd	-2	694	541	606.8	4.0	–
Merrydown		108	—	140	68	11.6	2.3	–
Seagram S		223⁄₃₂	-13	225⅞	216⅞	6,330	1.2	–

BANKS, MERCHANT

	Notes	Price	+ or -	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
Bariaga 8pc Cm 2nd Prf		50½	—	50½	50½	8.31	19.8	–
Cater Allen		463	—	525	424	192.6	0.6	7.7
Close Bros		363	—	382	227	443.2	3.0	16.1
Gerrard & Nat		410	—	472	395	294.0	8.7	13.5
Hambros		204	—	225	100	380.7	4.6	–
7½pc Cv Pf		97xd	-4	107½	94	129.0	0.7	–
Joseph (L)		430	—	463	353	23.9	5.2	15.5
King & Shaxson		165	—	165	85	40.9	7.3	12.8
Rea Brothers		60	—	57	44	29.0	2.1	24.0
Schroders		1278	-3	1478	908¼	1,917	1.4	18.1
NV		998	—	1180	823¼	438.1	1.8	14.2
Singer & Fried		110	—	113	81	217.1	4.2	11.4
8½pc Cv Ln 09/14		£133	[illegible]	£137	[illegible]	49.8	6.4	–

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

BUILDING MATS. & MERCHANTS - Cont.

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS

HOUSEHOLD GOODS - Cont.

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

INV TRUSTS SPLIT CAPITAL - Cont.

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LEISURE & HOTELS - Cont.

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

OTHER FINANCIAL - Cont.

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PHARMACEUTICALS - Cont.

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

SUPPORT SERVICES

[illegible]

SUPPORT SERVICES - Cont.

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

AIM

[illegible]

AIM - Cont.

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£30½	-	£34½	£29	2,086	2.7	15.7
Barlow		882	-½	£10½	543	1,793	1.8	Φ
Gold Flds Prop R		157½	-	170	136	16.1	6.5	7.3
HK Props		90	-	96	85	3.82	11.4	-
SASOL		551	+34	648	475	3,226	2.4	-
SA Brews		£22½	-1¼	£26½	£16½	6,683	1.5	31.7
Standard Bank	□	£27½	-	£32½	£20½	3,343	1.8	20.1
Tiger Oats		1175	-	1270	850	1,767	1.8	Φ
Tongaat-Hulett	†	1139	-	1247	836	1,099	1.8	22.8

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Extel, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised & dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- • Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Φ Figures or report awaited
- ♥ Rule 2.1(a)(v) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ⁑ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Rule 4.2(a) Irish incorporated non-listed companies.
- ✱ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield, p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend b Figures based on prospectus or other official estimates. g Assumed dividend yield after rights issue. h Assumed dividend yield after scrip issue. a Rights issue pending q Earnings based on preliminary figures. a Dividend yield excludes a special payment. t Indicated dividend yield, p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings y P/e ratios are calculated under new ACT guidelines. 2 Dividend yield includes a special payment F Yield based on prospectus or other official estimates for 1994-95. G Assumed yield after pending scrip and/or rights issue. H Yield based on prospectus or other official estimates for 1995. K Yield based on prospectus or other official estimates for 1996 L Estimated annualised yield, p/e based on latest annual earnings. M Yield based on prospectus or other official estimates for 1995-96. R Forecast annualised yield, p/e based on prospectus or other official estimates. W Pro forma figures. Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xß ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1350 a year for each security shown, subject to the Editor's discretion

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For readers phoning from outside UK, please dial +44 in place of the first 0.

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd

Jupiter Tyndall (Bermuda) Ltd

Newport Investment Management

Orion Fund Limited

BERMUDA (REGULATED)(**)

Bermuda Intl Investment Mgmnt Ltd

Butterfield Management Co Ltd

Orbis Investment Management Ltd

GUERNSEY (SIB RECOGNISED)

AIB Investment Managers (Guernsey) Ltd

Admax & Nevile Fd Mngt (Guernsey) Ltd

Guinness Flight Fd Mngrs (Guernsey) Ltd

Lloyds Intl Money Market Fund Ltd

M & G (Guernsey) Ltd

Prudential Fund Managers (Guernsey) Ltd

Rothschild Asset Management (CI) Ltd

Royal Bk of Canada O/S Fd Mgrs Ltd

Royal Bk of Canada O/S Fd Mgrs Ltd - Contd.

GUERNSEY (REGULATED)(**)

ANZ Mngmt Co (Guernsey) Ltd

Arab Bank Fund Managers (Guernsey) Ltd

Barclays Global Investment Fund Ltd

CIBC Fund Managers (Guernsey) Ltd

Commercial Union Cayman Inv Mngt

Hambros Fund Managers (CI) Ltd

IFS (Guernsey) Ltd

Kleinwort Benson Intl Fd Mngrs Ltd

Lazard Fund Managers (CI) Ltd

Lazard Freres Asset Management (CI) Ltd

Lloyds Bank Fund Managers (Guernsey) Ltd

Royal Bank of Canada Intl Money Market Fd

Schroder Investment Mngmt (Guernsey) Ltd

Yamaichi Capital Mngt (Guernsey) Ltd

IRELAND (SIB RECOGNISED)

AIB Fund Management Ltd

Bank of Ireland Unit Managers Ltd

The Fiduciary Trust Global Fund

Guinness Flight Select Funds Plc

LGT Asset Management Ltd

Murray Johnstone (Dublin) Ltd

Old Mutual International Fd Mgrs Ltd

Pacific 21st Century Fund

Scottish Value Management (Ireland) Ltd

Chemical Ireland Fund Administrators Ltd

Citizens Investment Trust Mngt Company

Dresdner Kleinwort Benson Intl Mgt Services Ltd

Frank Russell Investments (Ireland) Ltd

Korea Capital Growth Fund

Korean Preferred Share Fund

Morgan Grenfell Fund Income Funds Plc

National Mutual Funds Management

Paribas Asset Management (Ireland) Ltd

IRELAND (REGULATED)(**)

AIB Fund Management Ltd

ISLE OF MAN (SIB RECOGNISED)

AXA Equity & Law Intl Fund Mngrs

Ashburton Global Funds Ltd

Bank of Ireland Asset Management

Quilter Intl Mngt (IoM) Ltd

Ulster Bank Global Funds Plc

ISLE OF MAN (REGULATED)(**)

AXA Equity & Law Intl Fund Mngs

Quilter Intl Mngt (IoM) Ltd

Sylvain International Fund Management Ltd

JERSEY (SIB RECOGNISED)

AIB Fund Managers (CI) Ltd

Barclays International Funds

Gartmore Fund Managers Intl Ltd

John Govett (Channel Islands) Ltd

Hill Samuel Fund Mngrs (Jsy) Ltd

Lloyds Bank (CI) UT Mgrs

Midland Bank Fund Managers (Jersey) Ltd

Prudential Fund Managers (Jersey) Ltd

Royal Bank of Scotland Fd Mgrs (Jersey) Ltd

TSB Fund Managers (CI) Ltd

JERSEY (REGULATED)(**)

Barclays Intl Funds

John Govett Management (Jersey) Ltd

Jupiter Tyndall (Jersey) Ltd

Lloyds Private Banking (CI) Ltd

Lombard Odier (Jersey) Ltd

Mercury Asset Mngt Channel Islands Ltd

Royal Bk of Scotland Fd Mngrs (Jersey) Ltd

Schroder Mngt Services (Jersey) Ltd

TSB Fund Managers (CI) Ltd

LUXEMBOURG (SIB RECOGNISED)

ABN AMRO Funds (a)

Barclays Intl Funds

Fleming Group (b)

Foreign & Colonial Emerging Markets Ltd (a)

Kleinwort Benson Japanese Warrant Fund

Eagle Star - Global Assets Fund (a)

Nikko Capital Management

Edmond de Rothschild Group

Schroder International Selection Fd

Templeton Global Strategy Funds

LUXEMBOURG (REGULATED)(**)

Alliance Capital

Asian Development Equity Fund

Credit Commercial de France

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Credis Investment Funds - Contd.

NICAM Asia Pacific Umbrella Fund

Nikko Asia Convertible Bond Fund

Nikko Bank (Luxembourg) S.A.

Nomura Asian Infrastructure Fd SICAV

Pacific Basin Growth Fund

Pan-Holding SA

Pictet Group

Allied Dunbar International Assce Ltd (z)

CMI Insurance Co Ltd

Premier Life

Professional Investment Consultants

Royal Life International

CA Securities Investment Fund Mangt Ltd

CB Asset Management

CDC International

CM Fund Managers (Bermuda) Ltd

Camco Investment Management

Capital International

Cathay Investment Fund Limited

Chameleon Funds Limited

Chescor Indian Investment Company Ltd

The China Fund

The China Invest & Development Fd Ltd

OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

MANAGED FUNDS NOTES

LONDON STOCK EXCHANGE

MARKET REPORT

Gilts slide undermines confidence in equities

By Steve Thompson, UK Stock Market Editor

The looming parliamentary vote on the Scott report into the "arms to Iraq" scandal, another dose of weakness in global bonds and a steep early slide on Wall Street gnawed away at tha London market's confidence yesterday.

London's marketmakers were nervous about holding large lines of stock on their books. By the close, the FT-SE 100 index had scrambled off its lowest level but still showed a net loss of 36.1 at 3,704.2.

The wholesale retreat by the leaders did not spill over too much into the second-liners, where lingering hopes of more takeover activity helped to underpin sentiment. Nevertheless, there was sufficient selling pressure to drive the FT-SE Mid 250 below the recently won 4,200 level to end 13.0 off at 4,195.0.

The general feeling around tha marketplace yesterday was that London had factored in most of the potential bad news, certainly that on the UK political front. "The government may just about squeak through on the Scott report, but even if it loses the vote it should survive a confidence vote," said the bead of marketmaking at one UK securities house.

He also noted that London, in common with most of the European stock markets, had not mirrored Wall Street's upward move late last week. "Wall Street is becoming increasingly volatile and volatility normally spells danger for markets," ha added. Another trader said, however, that there were a number of sizeable short positions in London which, if unwound, could trigger a bounce in the market. Most traders said they saw 3,700 on the Footsie as a good resistance level and that London was a strong buy at 3,650 on the Footsie.

Wall Street's dizzying performance on Friday, which saw the Dow Jones Industrial Average race up 50 points, drop back sharply and then close 22 points ahead, did nothing to calm the London market's nerves.

The Footsie opened the session 8.5 lower and continued to lose ground for the rest of the day, stabilising only during the last few minutes of trading, in spite of a sharp fall in the Dow at the outset of trading; the US average fell some 50 points shortly after the start, before rallying and then falling back again.

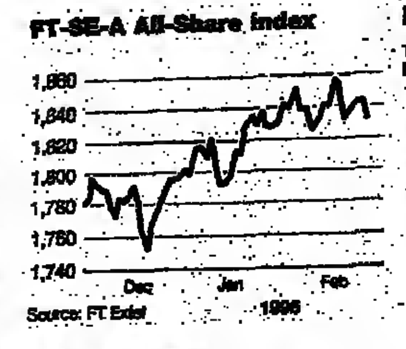
There was no support for equities from a gilts market suffering from the same symptoms as shares, and additionally weakened by the latest sell-off in US Treasury bonds on Friday, when the long bond dipped around a point.

And with US bonds under renewed pressure during European trading and at the opening of US markets, gilts closed around the day's lowest levels.

Turnover, always restrained on Mondays, came in at 639m shares, with non-FT-SE 100 stocks accounting for 57 per cent of the day's volume. Customer business on Friday was worth £1.7bn.

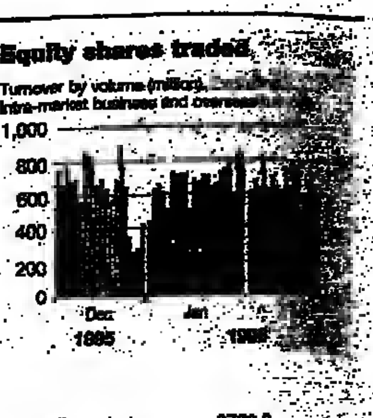
British Steel delivered another good performance, with the market increasingly excited by the prospect of a share buyback. On the downside, the banks took something of a hammering, wounded by the prospect of shrinking margins caused in part by the rates war in the mortgage market.

FT-SE-A All-Share index



Source: FT Extel

Equity shares traded



Indices and ratios

FT-SE 100	3704.2	-36.1
FT-SE Mid 250	4195.0	-13.0
FT-SE-A 350	1853.0	-15.5
FT-SE-A All-Share	1830.26	-14.15
FT-SE-A All-Share yield	3.79	(3.74)
FT Ordinary index	2738.9	-21.7
FT-SE-A Non Fins p/e	17.27	(17.32)
FT-SE 100 Fut Mar	3705.0	-27.0
10 yr Gilt yield	7.93	(7.84)
Long gilt/equity yld ratio:	2.20	(2.20)

Best performing sectors

1. Distributors +0.4
2. Engineering +0.3
3. Electronic & Elec +0.2
4. Textiles & Apparel +0.1
5. Engineering, Vehicles -0.1

Worst performing sectors

1. Banks, Retail -2.2
2. Insurance -1.7
3. Gas Distribution -1.5
4. Pharmaceuticals -1.3
5. Tobacco -1.1

Price rise hope for dairies

The spotlight fell on some of the UK's biggest milk producers as word of a price increase in milk did the rounds of the market yesterday.

Analysts who had spoken to the leading dairy groups and food producers said the retail price of milk was being increased by around 3p a pint.

The reports prompted interest in Northern Foods, which in the year to March 1995 derived around 40 per cent of operating profits from the selling of milk, and Unigate. Around a third of operating profits at Unigate in the same year came from milk production.

Northern improved 2½ to finish at 192p after trade of 2m shares, while Unigate also outperformed the market, although the stock retreated from an earlier peak to close unchanged at 437p.

Sentiment in both stocks was boosted by reports that NatWest Securities had upgraded profits expectations on the two companies.

However, NatWest was unavailable for comment. And one analyst from a rival broker cautioned: "No-one yet knows how much of the price increase will be passed on to the producers, and the companies are not saying, so it will take some time to see the full effects of the move."

Perfectly acceptable results from leading banks were not good enough for the stock market. The sector fell eharply, with investors focusing on a broader connection with bond market performances.

US long bonds were continuing to fall, pushing yields higher yesterday.

Mr Martin Hughes of Credit Lyonnais Laing commented: "Historically, the banks sector falls relative to the UK market when the long bond yield runs up. Although there is an argument that the sector has decoupled, those worries have been driving the sector down."

Abbey National came out with profits at the top of the range of forecasts and a dividend that was only slightly disappointing. The shares, however, fell 14 to 583p.

One analyst said the bank's attitude to the competitive threat from the Nationwide Building Society – which adjusted its rates on Friday – bordered on complacency. And Mr John Aitken at UBS said: "The market is worried that there will be severe mortgage competition. Because the mutuals do not have to pay a dividend they can run a lower profitability than the banks."

HSBC slipped 16 to 1056p in spite of full-year profits and dividend at the top end of expectations. Profits were flattered by the Hong Kong side of the business and there were concerns about comments by the bank that UK margins are still under pressure.

Barclays dropped 23 to 771p. There is a growing feeling that the bank could soon announce a share buyback, but that could well be a deterrent to those funds which are unable to claim tax credits.

A "reduce" note from NatWest Securities added weight to the bear argument undermining international conglomerate Hanson, which has fallen more than 10 per cent since the group's planned demerger was first announced.

The broker put the current sum-of-the-parts valuation for the group at 185p and said the shares still face significant downside risk. They closed yesterday off 2 at 186½p in dullish turnover of 5.2m. However, the equivalent of a further 4.6m shares were dealt in traded options.

Scotia Holdings, the biotech group, fell sharply on news that it had ended a European distribution deal with Pharmacia & Upjohn for its Tarabetic diabetic treatment.

The shares were down more than 80 at one stage, reflecting the market's jangling sensitivity to any adverse news in the biotechnology sector.

However, they recovered to finish the day 49 down at 558p after reassuring noises from sector specialists. Analysts said the company ended the deal because it thought it could secure a better agreement elsewhere, and was already in talks with other partners. They also pointed to encouraging comments on the progress of the treatment's clinical trials.

Elsewhere in the sector, Cortecs International retreated 15 to 260p and British Biotech 43 to 2006p.

A story in the Sunday press that Zeneca has a drug which increases the risk of cancer was largely discounted in the market but gave an opportunity to mark the shares lower, and Zeneca ended 12 cheaper at 1250p.

Leisure group Rank Organisation was in demand amid speculation that publication of the government's white paper on gambling – expected today – will include plans to allow widespread advertising by bingo halls. Sentiment continued to be buoyed by last week'a favourable figures.

However, there was nervousness among the larger casino operators on fears that the white paper is unlikely to include all the demands made by the sector. Thus shares in Ladbroke Group fell 6 to 180p, while London Clubs relinquished 19 to 472p.

Others affected by the same concerns included Stanley Leisure, down a penny at 372p, and Capital Corporation, which declined 6 to 218p.

Tour operator Airtours, in which Carnival Corporation, of the US, last week took a near 80 per cent staks, eased a penny to 459p.

NatWest Securities yesterday advised investors to "reduce" holdings and believes: "Carnival could logically be expected to eventually launch a full bid, although the weakened position of institutional shareholders is unlikely to inflate the price."

Carlton Communications gained 3¼ at 411p, with its share split, which became effective yesterday, increasing liquidity in the stock.

Cyclical engineering shares stood out prominently in the Footsie rankings, helped by hopes for a flow of solid results from the sector over the next couple of weeks.

British Steel jumped more than 2 per cent, in turnover of 14m shares, while Rolls-Royce, Smiths Industries, TI Group and GKN all featured among the top 10 performing Footsie stocks. Both Rolls-Royce and GKN put out annual results on March 7.

Share buyback talk at British Steel rumbled on, in the face of initial disbelief among analysts. According to dealers, a buyback scheme is one of a range of options aimed at improving shareholder value, although no decisions have yet bsen finalised. The shares added 4 at 182½p for a two-day rise of more than 6 per cent.

Rolls-Royce added a penny at 210p and Smiths gained 3 at 677p. Babcock International was the top FT-SE Mid 250 stock with a 7 rise to 142p.

Cement specialist Blue Circle was the second best performing Footsie share, adding almost 2 per cent as the group unveiled details of plans for restructuring its heating and bathroom operations.

In spite of the reorganisation costs, the high resultant level of savings impressed most analysts. BCI expects to save £26m on an annual basis in contrast to £55m of one-off reorganisation expenses. The shares moved forward 7 to 389p.

George Wimpey shed 3 to 136p ahead of today's annual results statement.

Arjo Wiggins Appleton, the paper and packaging group, fell 11 to 196p on Sunday newspaper suggestions that profits due in early March could come in below consensus forecasts.

MARKET REPORTERS: Peter John, Joel Kibazo, Jeffrey Brown.

FINANCIAL TIMES EQUITY INDICES

	Feb 26	Feb 23	Feb 22	Feb 21	Feb 20	Yr ago	*High	*Low
Ordinary Share	2738.9	2760.6	2751.5	2741.0	2720.5	2297.0	2788.2	2238.3
Ord. div. yield	3.91	3.88	3.88	3.87	3.90	4.65	4.73	3.76
P/E ratio net	16.40	16.14	16.13	16.49	16.40	16.54	21.38	15.35
P/E ratio nil	16.16	15.93	15.93	16.27	16.16	18.06	22.21	15.17

*For 1995/96. Ordinary Share Index since compilation: high 2788.2 16/01/96; low 49.4 26/6/40. Base Date: 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2758.3	2748.1	2747.9	2748.6	2748.1	2747.1	2743.8	2742.5	2738.8	2757.0	2735.8

	Feb 26	Feb 23	Feb 22	Feb 21	Feb 20	Yr ago
SEAQ bargains	34,511	51,661	91,140	30,449	30,733	21,030
Equity turnover (£m)†	-	1702.3	1999.0	2113.2	1845.3	1052.5
Equity bargains†	-	37,497	38,6661	38,008	35,890	27,926
Shares traded (mil)†	-	597.2	625.2	686.1	597.8	383.3

†Excluding intra-market business and overseas turnover.

London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	595	Total Highs	99	Total contracts	29,855
Total Falls	678	Total Lows	36	Calls	18,524
Same	1,521			Puts	11,331

Feb. 26 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	3728.0	3705.0	-27.0	3731.0	3698.0	10527	54126
Jun	3734.0	3708.0	-27.5	3734.0	3703.0	1581	12588
Sep		3725.0	-27.0			0	2173

FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

FT-SE 100 INDEX OPTION (LIFFE) (*3704) £10 per full index point

EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

LONDON RECENT ISSUES: EQUITIES

FT GOLD MINES INDEX

FT - SE Actuaries Share Indices — The UK Series

FT-SE Actuaries All-Share

Hourly movements

FT-SE Actuaries 350 Industry baskets

TRADING VOLUME

Major Stocks Yesterday

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Feb 26 / Sch)

BELGIUM/LUXEMBOURG (Feb 26 / Frs.)

CZECH REP (Feb 26 / Korunn)

DENMARK (Feb 26 / Kr)

FINLAND (Feb 26 / Mkа)

FRANCE (Feb 26 / Frs.)

GERMANY (Feb 26 / Dm.)

GREECE (Feb 23 / Drachmae)

ITALY (Feb 26 / Lire)

NETHERLANDS (Feb 26 / Fl.)

NORWAY (Feb 26 / Kroner)

POLAND (Feb 26 / Zloty)

PORTUGAL (Feb 26 / Escudo)

SPAIN (Feb 26 / Pts.)

SWEDEN (Feb 26 / Kronor)

SWITZERLAND (Feb 26 / Frs.)

TURKEY (Feb 26 / Tk Lira)

PACIFIC

JAPAN (Feb 26 / Yen)

HONG KONG (Feb 26 / H.K.$)

INDONESIA (Feb 26 / Rupiah)

MALAYSIA (Feb 26 / MYR)

NEW ZEALAND (Feb 26 / NZ $)

SINGAPORE (Feb 26 / S$)

AUSTRALIA (Feb 26 / Aust$)

SOUTH KOREA (Feb 26 / Won)

TAIWAN (Feb 26 / TW $)

THAILAND (Feb 26 / Baht)

AFRICA

SOUTH AFRICA (Feb 26 / Rand)

NORTH AMERICA

CANADA

TORONTO (Feb 26 / Can $)
4 pm close

MONTREAL (Feb 26 / Can $)
4 pm close

INDICES

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Indonesia							
Jakarta Comp.(10/8/82)	594.20	(c)	(c)	595.52 16/2/96	414.21 19/4/95		

	Feb 26	Feb 23	Feb 22	1995/96 High	1995/96 Low
Indonesia					
Jakarta Comp.(10/8/82)	594.20	(c)	(c)	595.52 16/2/96	414.21 19/4/95
Ireland					
ISEQ Overall(4/1/88)	2319.67	2324.45	2308.44	2338.20 16/2/96	1813.59 23/1/95
Italy					
Banca Comm Ital(1972)	598.06	597.50	594.48	680.54 10/2/95	547.79 5/12/95
MIB General(2/1/95)	1006.0	1013.0	1008.0	1082.00 9/2/95	982.00 15/1/95
Japan					
Nikkei 225(16/5/49)	20490.27	20300.36	20340.94	21118.30 8/2/96	14485.40 3/7/95
Nikkei 300(1/10/82)	293.70	292.98	293.95	307.50 5/1/96	222.26 13/6/95
Turkey					
Istanbul Cmp.(Jan 1986)	59232.6	(c)	(c)	59232.00 26/2/96	24644.30 23/1/95
WORLD					
MS Capital Int(1/1/70)	758.9*	761.1	759.5	761.40 23/2/96	608.21 23/1/95
CROSS-BORDER					
Eurotrack 100(26/10/90)	1551.85	1557.27	1536.56	1570.74 1/2/96	1222.41 13/3/95
Euro Top-100(26/6/90)	1390.52	1400.34	1387.51	1416.12 2/2/96	1117.34 9/3/95
JCapelDrgns(31/12/88)	(u)	377.90	377.38	382.52 19/2/96	282.87 23/1/95
ING Bmgs Emrg(7/1/92)	157.88	157.52	156.91	162.72 5/2/96	117.15 10/3/95

US INDICES

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
CAC-40 (200 x Index)							
Feb	1967.0	1958.0	-18.5	1974.0	1957.0	15,769	24,870
Mar	1974.5	1965.5	-15.5	1982.0	1965.0	6,431	34,390
DAX							
Mar	2450.5	2443.0	-11.5	2459.0	2438.5	22,784	-
Jun	2463.0	2455.0	-12.0	2470.5	2452.5	1,384	-

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
OMX							
Mar	1484.00	1077.50	-18.00	1500.00	1472.00	6,214	22,156
SOFFEX							
Jan	3292.1	3295.0	-2.5	3301.4	3287.0	3,978	16,457
Feb	3287.5	3290.5	-8.5	3287.5	3287.5	25	2,125

** Sat Feb 24: Taiwan Weighted Price 4837.59; Korea Comp Ex 888.51. Base values of all indices are 100 except: Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall, Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7, JSE 20 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Feb 26 - 2438.73 -10.79.

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's).

■ TOKYO – MOST ACTIVE STOCKS: Monday, February 26, 1996

	Stocks Traded	Closing Prices	Change on day
Nippon Steel Corp	13.6m	336	-2
NKK Corp	7.7m	288	-4
Toshiba Corp	4.2m	822	+7
Sumitomo Mtl Ind	4.2m	303	-2
Mitsubishi Hvy	4.2m	854	-5
Mitsui Co	4.0m	927	-12
Daido Stl Sheet	3.9m	2320	+100
Nippon Metal Ind	3.8m	557	+27
Fudo Const	3.6m	1080	+101
Keisei Elect Ry	3.6m	973	-2

4 pm close February 26

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1995/96 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
22⅞	12⅛	AAR	0.48	2.4	29	713	20	18⅞	19¾	
46¼	35	AMP	1.00	2.3	22	3372	44¼	43⅝	43⅝	-1
89⅝	53⅞	AMR			35	6328	89⅞	88⅛	88¼	-1¼
50½	36⅛	ASA x	2.00	4.2	31	1686	48	45⅞	48	+2⅞
44¾	30¾	AbbtL	0.98	2.3	19	10911	41⅞	40⅞	41	-⅝
18⅞	12	Abitibi Pr	0.40	2.8	6	1182	15⅞	15½	15½	-⅛
29⅝	21	ABM Ind	0.70	2.4	15	41	u29⅝	29⅛	28½	+⅛
17½	13⅛	Acptocule			10	326	14⅜	14¼	14⅜	-¼
50⅞	21⅞	ACE Ltd	0.56	1.2	11	441	47⅞	47⅜	47⅝	-⅛
9⅞	8⅛	ACM Gvt In	0.90	9.2	8	559	u9⅞	9¾	9¾	
7⅞	6½	ACM GvOpp	0.66	8.5		92	7¾	7⅝	7⅞	+⅛
7½	5¾	ACM Gvt Sp	0.75	10.9		823	7⅛	6⅞	6⅞	-¼
9⅛	7¼	ACM Gvt Se	9.00	10.8		419	0	8⅞	0	
9½	7⅞	ACM Man	0.90	9.7		298	0⅛	9⅛	9¼	+⅛
29⅛	19¼	AcmeCtv	0.52	2.7	4	39	18	18⅞	19	+¼
39¼	6⅞	Acme Elect			59	192	7⅛	7⅛	7⅛	
34½	23¾	Acordia	0.72	2.8	15	100	26⅞	26	26	-⅞
16¾	10⅛	Acuson			45	533	14⅜	14⅛	14⅛	+⅛
19⅝	15⅝	Adams Expr x	0.36	1.9	9	268	19¼	19⅛	18⅞	-¼
38⅞	18⅛	AdvMic			8	4956	20⅜	19¾	19¾	-⅞
19¼	5	Advest Grp	0.18	1.7	9	52	0⅛	9½	9½	-⅛
27½	16½	Advo Inc	9.19	0.5	22	749	21⅜	21¼	21⅜	-¼
48¾	24.80	Aegon	1.28	3.0	18	41	43½	43¼	43½	-⅞
5⅞	3⅞	Aerflx			9	1534	5⅛	4¾	5	+⅞
76⅝	45⅛	AetnaL	2.76	3.0	34	3967	72¼	71⅝	71¾	-⅛
49½	21⅞	Aflac x	0.52	1.1	14	1877	48⅞	48¼	48⅝	

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NYSE COMPOSITE PRICES

4 pm close February 26

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NASDAQ NATIONAL MARKET

4 pm close February 26

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AMEX COMPOSITE PRICES

4 pm close February 26

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AMERICA

Equities drop after bonds lose ground

Wall Street

US shares gave back some of last week's gains in midday trading as investors reassessed their views about the strength of the economy, *writes Lisa Bransten in New York.*

At 1 pm the Dow Jones Industrial Average was off 40.82 at 5,589.67, the Standard & Poor's 500 had fallen 4.71 to 654.37 and the American Stock Exchange composite was 3.32 weaker at 565.95. New York SE volume came to 212m shares.

Equities were led lower by a drop in Treasury bond prices. In early afternoon trading the benchmark 30-year Treasury was off more than half a point, sending the yield towards 6.5 per cent, as investors worried that the economy was not as weak as they had come to believe.

Such worries spilled over into the stock market, where the view that the Federal Reserve would not cut interest rates at next month's Open Market Committee meeting was gaining steam.

Just before 10.30 am the Dow was down more than 50 points, triggering the "uptick rule" that restricts computerised selling. This marked the fifth consecutive session in which either buying or selling restrictions had been implemented.

Technology shares were weaker yesterday, with Internet-related issues leading the way down. The Nasdaq composite, about 40 per cent of which is made up of technology stocks, shed 3.77 to 1,114.02 and the Pacific Stock Exchange technology index slipped 0.41 per cent.

Declining Internet shares included Netscape Communications, off $3¾ at $57¼, Spyglass, $3¼ lower at $26¼, UUNET Technologies, which dipped $1 to $36¾, and Netcom On-Line Communication Services, which lost $1¾ at $27¾.

Meanwhile, Sun Microsystems rose $1¼ or 3 per cent to $55¾ after announcing that it would work with Motorola to develop Internet access systems for home use. Motorola slipped $¾ to $57¾.

Elsewhere, Cray Research jumped $3¾ or 12 per cent to $33¾ after Silicon Graphics said that it would purchase the supercomputer maker for $30 a share. Silicon Graphics fell $2¾ or 10 per cent to $24¾ on the news.

Southwest Airlines appreciated $1¼ or 4 per cent to $31¾ on a report that the carrier was considering offering a service to Boston, well outside of its base in the southwest, later this year.

Canada

Computer problems disrupted Toronto shortly after the opening and trading did not resume until noon. At 12.15pm, the TSE 300 composite index was 13.40 softer at 4,949.49.

Among individual stocks, Thomson Corporation, the publishing and travel group, fell C$¾ to C$19¼ on news that it was expanding its US legal publishing business with a $3.4bn cash deal for the Minnesota-based West Publishing.

Diamond Fields Resources lost C$¾ to C$37¾ and Inco picked up C$¾ to C$44¼. There was market speculation on Friday that Inco would link with the Anglo-Australian mining giant RTZ-CRA to launch a bid for Diamond Fields, to rival Falconbridge's C$4bn friendly offer.

Argentina loses 2%

Buenos Aires was sharply lower in midday trading as the market tracked Wall Street.

The Merval index was down 10.65 or 2 per cent to 515.19, while the broad, general index had fallen 281.15 or 1.7 per cent to 16,625.58.

Of 37 issues traded on the floor, 28 were down and one was up, while the remaining eight were unchanged. Turnover, however, was a thin 3.6m pesos on the floor and 45.9m pesos on the computer-based continuous market.

CARACAS surrendered all of Friday's strong advance as the market continued to await signals from the government on the direction of economic policy. The IBC index was showing a fall of 65.49 or 2.3 per cent in midday trade at 2,830.73.

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1995	Start of 1995	Start of 1995
Austria	+1.37	+0.18	+2.84	-2.86	+5.42	+3.79
Belgium	+0.29	-1.11	+20.04	+17.87	+27.40	+25.43
Denmark	-0.26	-0.79	+12.86	+11.39	+22.70	+20.81
Finland	+2.93	+5.78	+1.92	-3.87	+2.67	+1.09
France	+1.31	+1.76	+10.58	+8.06	+17.47	+15.66
Germany	+0.34	+0.24	+13.60	+13.27	+22.86	+20.96
Ireland	-0.50	-0.05	+20.42	+22.55	+27.97	+26.00
Italy	-0.51	-2.47	-3.58	-4.44	+0.88	-0.66
Netherlands	+0.05	+0.75	+22.18	+21.87	+32.12	+30.09
Norway	+2.12	+4.46	+12.40	+6.76	+15.73	+13.94
Spain	+1.65	+3.97	+24.24	+23.26	+34.79	+32.71
Sweden	+5.15	+10.44	+27.62	+32.26	+48.60	+46.31
Switzerland	+0.40	+2.72	+26.17	+25.94	+42.00	+39.81
UK	-0.70	+0.54	+22.22	+21.29	+21.29	+19.42
EUROPE	+0.31	+1.29	+18.11	+17.20	+23.96	+22.07
Australia	-1.82	+0.33	+17.81	+17.19	+18.11	+14.32
Hong Kong	-1.91	+2.91	+36.75	+35.77	+37.96	+35.85
Japan	-2.46	-2.01	+13.76	+0.95	-2.46	-3.96
Malaysia	+0.00	+2.69	+10.96	+9.60	+11.29	+9.58
New Zealand	+2.81	+3.07	+4.23	+9.12	+17.09	+15.30
Singapore	-0.11	+2.11	+27.64	+18.10	+24.17	+22.25
Canada	-1.51	+0.75	+18.64	+17.23	+21.28	+19.41
USA	+1.82	+6.22	+34.96	+43.30	+45.55	+43.30
Mexico	+0.52	-3.34	+72.58	+23.80	-17.60	-18.87
South Africa	-0.71	-3.85	+38.41	+11.69	+19.91	+18.06
WORLD INDEX	+0.19	+2.54	+23.65	+21.13	+23.06	+21.16

† Based on February 23 1996.

EUROPE

Rate-sensitive bourses weaken further on Dow

Weakness in the Dow gave bourses a bad afternoon. FRANKFURT, however, was worried already about interest rates, saw the Dax index fall 10.79 to an Ibis-indicated 2,438.73, and savaged RWE, the utility based industrial and energy group, partly on rate-sensitivity grounds.

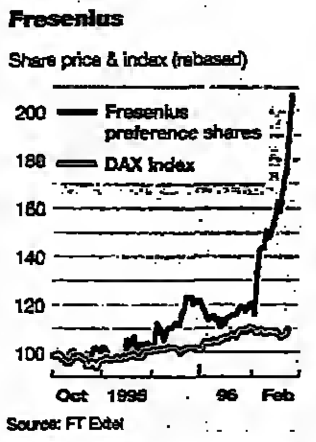
RWE's half-year profits were only slightly disappointing, said Mr Jens Wieking at Merck Finck in Düsseldorf; but given its interest rate sensitivity and its long term and recent share price outperformance, the shares were left exposed. They closed DM1.74 or 2.8 per cent cheaper at DM60.

Turnover fell from DM9.8bn to DM8.3bn. The first half from MAN, the truckmaker and engineer, was also described as disappointing but volume was low as the shares fell DM10.80 or 2.5 per cent to DM420.20. On the plus side, Hoechst denied suggestions that it would hive off its pharmaceuticals business into a separate, New York quoted legal entity; but the shares still rose DM4.30 to DM459.

However, the stock of the day – and the month – was Fresenius. With the Baxter bid for W.R. Grace dead in the water, the Fresenius/Grace healthcare divisions merger seemed likely to go ahead and the stock ran up a further DM18 or 8.3 per cent to DM234 – a rise of 80 per cent since the merger was mooted three weeks ago.

Fresenius

Share price & index (rebased)



Source: FT Extel

PARIS, too, tracked bonds and the Dow as the CAC-40 index fell 15.96 to 1,960.93 in thin turnover of FFr2.55bn.

Dealers blamed a weak dollar for falls in the oil groups, Elf shedding FFr5 at FFr343.60 and Total FFr4.20 at FFr337.80.

Automotive stocks outperformed, Renault rising 20 centimes to FFr142.50 in spite of union action, and Ecia, the car parts manufacturer controlled by Peugeot, by FFr45 or 6.4 per cent to FFr745 after the broker Cheuvreux de Virieu added the stock to its list of recommended secondary shares.

Still on the upside, Dassault advanced a further FFr53 to FFr576 on consideration of the proposed merger with Aerospatiale. However, Canal Plus lost FFr22 at FFr903 on the pending digital television partnership between CLT and News Corp, which was weighing on the share price more than two weeks ago.

AMSTERDAM punished Akzo Nobel for lower than expected 1995 profits and a moderate forecast. The shares fell to Fl 180.10 before closing Fl3.40 off at Fl 183.50 as the AEX index shed 3.34 to 507.26.

Copier maker Océ-van der Grinten outperformed on an agreement to buy the Simens Nixdorf printer division. The shares rose Fl4.80 or nearly 4 per cent to Fl 127.10.

ZURICH was unable to make much progress in low volume trade and the SMI index finished just 2.4 higher at 3,388.6.

Analysts noted that a SFr95 rise in Roche certificates to SFr9,220 had offset losses among financials.

Swissair moved ahead SFr50 to SFr1,090 amid reports that the chief executive of the strife ridden Sabena, in which Swissair has a 49.5 per cent stake, was about to resign.

UBS bearers eased SFr5 to SFr1,225 as the market digested news that Mr Stephan Schmidheiny, the industrialist, had bought a 4.1 per cent stake worth about SFr250m. UBS said that Mr Schmidheiny had probably bought the stake from the BZ banking group, controlled by Mr Martin Ebner, a long time critic of UBS management.

Alusuisse registered shares fell SFr15 to SFr941 as news of the company's planned capital increase outweighed the impact of good 1995 results.

MILAN was weak, following the easier trend in other European markets and with Wall Street adding to the depressed mood. The Comit index lost 4.44 to 593.06, while the real-time Mibtel index finished 118 down at 9,446. Turnover fell to a thin L338bn.

The declines were broadly based. Fiat dipped L149 to L4,904, while Telecom Italia gave up L48 to L2,501. Mediobanca, the merchant bank, lost L280 to L10,098 and, among the insurers, La Fondiaria dropped L118 to L6,995.

MADRID opened its pre-election week with the general index down 1.12 at 339.75. Banco Popular finished unchanged at Pta22,820 after IBCA confirmed its existing credit ratings.

HELSINKI followed the European party line in blaming sharply higher bond yields, the Hex index losing 19.74 points at 1,828.16 in turnover of FM240m.

It shed some of its early enthusiasm for TT-Tieto, the information technology group. The shares, up FM10 or 5.7 per cent to FM185 in early afternoon trade, ended at FM178.

ISTANBUL rocketed 10 per cent to close at an all-time high on hopes of a centre-right coalition between Turkey's two leading conservative parties.

The composite index rose 5,373.00 to 59,332.06 after news that officials from the prime minister's True Path party and the Motherland party had met on Sunday to forge a conservative coalition after the failure of Motherland's talks with the Islamist Welfare party. The previous record high was established last April 21.

BUDAPEST jumped 5.8 per cent as Mr Peter Medgyessy was named as finance minister, replacing Mr Lajos Bokros who resigned unexpectedly last week.

The Bux index moved forward 122.10 to 2,223.59, although economists were divided as to whether Mr Medgyessy's appointment would slow the reforms pressed so forcibly by his predecessor.

The pharmaceuticals sector led the advance, with Egis up Ft230 to Ft4,790 and Richter Ft410 higher at Ft4,780.

Written and edited by William Cochrane and Michael Morgan

FT-SE Actuaries Share Indices

Feb 26							THE EUROPEAN SERIES	
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1554.32	1554.81	1553.80	1553.15	1553.54	1552.87	1552.29	1551.85
FT-SE Eurotrack 200	1648.09	1650.82	1650.49	1648.42	1649.89	1648.48	1648.86	1646.19

	Feb 23	Feb 22	Feb 21	Feb 20	Feb 19
FT-SE Eurotrack 100	1557.27	1535.56	1521.59	1510.94	1520.51
FT-SE Eurotrack 200	1658.13	1645.12	1630.05	1623.48	1630.28

Base value 1000 (26/10/90); Highday: 100 - 1555.09; 200 - 1651.38 Lowday: 100 - 1551.66 200 - 1646.04 † Partial.

ASIA PACIFIC

Nikkei in rebound as China worries pressure Taipei

Tokyo

Share prices rebounded for the first time in eight trading days, although the rise was limited by profit-taking by domestic institutional investors and banks, *writes Emiko Terazono in Tokyo.*

The Nikkei 225 average closed 179.89 up at the day's high of 20,480.27 after declining to a session's low of 20,294.30 on profit-taking. Technical buying was supported by Friday's strength on Wall Street, although domestic investors sold stock ahead of the March book closing.

Volume totalled 298m shares, against 334m. Activity was subdued as brokerage dealers refrained from trading on the last settlement day for February accounts. The Topix index of all first section stocks rose 3.94 to 1,572.12 and the Nikkei 300 by 0.71 to 293.70. Advances led declines by 585 to 449, with 179 issues unchanged.

In London the ISE/Nikkei 50 index eased 1.50 to 1,370.17.

Cautiousness prevailed as the dollar fell below Y105 to the yen, putting pressure on long-term yields. Uncertainty over the government's jusen, or housing loan scheme, during the current parliamentary budget talks also weighed on equities.

Banks were hurt particularly by calls for a new formula in bailing out the ailing jusen, in which the loan/loss burden of the commercial banks would be increased. Mr Wataru Kubo, the finance minister, and other leading politicians within the ruling coalition, were supporting this method in order to decrease the amount of public funds used in the bailout. Bank of Tokyo fell Y20 to Y1,620 and Sakura Bank Y20 to Y1,150.

Green Cross, the drugs company specialising in blood products which is one of five companies alleged to have distributed untreated blood products tainted with the HIV virus, dropped Y60 to Y632. A settlement between haemophiliac victims who had been suing the government and the drug makers is due at the end of next month, and the company last week warned that it will fall into the red and forgo dividend payments.

Higher grain prices in overseas commodity markets pushed up food issues. Nippon Flour Mills rose Y24 to Y608 and Honen gained Y19 at Y630.

High-technology shares were mixed. Toshiba added Y7 at Y822 and NEC Y20 at Y1,260, but Sony and Pioneer shed Y110 to Y6,170 and Y30 to Y2,080 respectively.

In Osaka, the OSE average moved up 12.91 to 21,816.89 in volume of 31.7m shares.

Roundup

South Korean, Pakistani and Taiwanese equities extended weekend trading weakness.

TAIPEI fell 1.3 per cent as worries over an expected Chinese military exercise along China's southeastern coastline outweighed the government promoted T$170bn fund which began to enter the market last week.

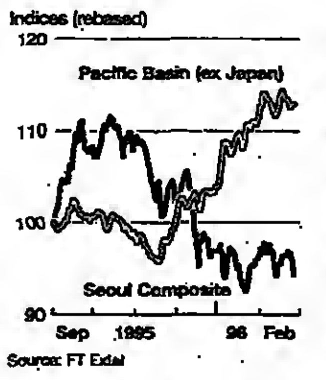
The weighted index receded 61.77 to 4,775.86 in weak turnover of T$10.7bn.

KARACHI, down 2.7 per cent on Sunday on a technical correction following a five-day holiday, ran into settlement day and the KSE 100 index declined a further 23.37 or 1.3 per cent to 1,777.89.

Brokers added that speculators, uncertain of the law and order situation, preferred the selling side at a pivotal point on the trading calendar.

South Korea

Indices (rebased)



Source: FT Extel

SEOUL closed lower after steady institutional selling wiped out big early gains that followed the government's announcement that it was to raise foreign holdings in local shares.

The composite index turned back from a high of 885.81 to finish a net 9.56 weaker at 859.05 as many institutions discounted the higher ceiling on foreign share ownership, noting that foreigners still had room to expand their stakes in many local issues under the current ceiling.

BANGKOK declined for the fifth session running in thin trade, local mutual funds booking profits, especially in the banking sector, ahead of plans to launch new unit trusts.

The SET index finished 11.99 lower at 1,330.57 in turnover of Bt4.2bn.

In banks, there were fears of a dilution effect at Thai Farmers after it announced a new share issue last Thursday. Thai Farmers led active stocks, down Bt6 at Bt185, while Siam Commercial Bank slipped Bt4 to Bt298.

HONG KONG was pushed 1.6 per cent lower by sharply weaker futures and last minute concerns ahead of HSBC's results. The Hang Seng index ended 179.99 down at 11,210.42, but above an intra-day low of 11,172.91, in thin turnover of HK$4.3bn.

HSBC retreated HK$2 to HK$125 on fears that it would announce large bad debt charges and a rumour that it planned a cash call. In the event, the results proved at the top end of expectations. Hang Seng Bank lost HK$1.50 at HK$72.25 ahead of a modest 7.7 per cent rise in net profits.

BOMBAY's blue chips rallied to finish broadly higher, boosted by widespread foreign fund buying, but domestic institutions, facing increased redemptions, became heavy sellers at the day's higher levels, pulling the market down towards the close.

The BSE-30 index ended 45.15 or 1.3 per cent ahead at 3,538.10, off a peak of 3,571.55.

SINGAPORE finished mixed in thin dealings, with bank and property shares lower on light profit-taking, while interest shifted to second liners.

The Straits Times Industrial index closed 5.13 higher at 2,471.12.

MANILA saw blue chips sold as the composite index slid 16.98 to 2,933.66. Food group SMC-B slipped a peso to 98 pesos, Manila Electric-B declined 2 pesos to 243 and PLDT fell 20 pesos to 1,555.

De Beers up on Russian deal

Johannesburg finished firmer, with golds rising in anticipation of further strength in bullion and industrials edging up as renewed demand emerged.

The overall index put on 19.5 at 6,787.0, industrials picked up 2.7 to 8,396 and golds advanced 20.6 to 1,766.9.

De Beers forged ahead R2.10 to R130 after Friday's late news that the company had signed an initial diamond marketing pact with the Russian government.

Some upbeat analysts said that a rise in the share price to R150 was now on the cards.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FT-SE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FT-SE International and Goldman Sachs in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the Indices.

NATIONAL AND REGIONAL MARKETS	FRIDAY FEBRUARY 23 1996								THURSDAY FEBRUARY 22 1996					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (81)	196.22	0.8	188.86	130.08	148.05	172.47	0.4	3.88	194.65	187.01	129.22	146.90	171.75	200.32	158.79	182.20
Austria (26)	189.67	1.7	182.56	125.74	143.11	142.98	1.7	1.51	186.55	179.22	123.84	140.78	140.65	199.28	168.11	181.75
Belgium (34)	211.27	1.3	203.35	140.06	159.41	155.57	1.3	3.39	208.49	200.30	138.41	157.34	153.53	215.81	172.88	173.23
Brazil (28)	164.74	0.9	158.56	109.21	124.30	287.75	0.9	1.55	163.24	156.83	108.37	123.19	295.04	170.25	86.08	126.43
Canada (101)	154.51	-0.5	148.71	102.43	116.58	154.08	-0.4	2.44	155.35	149.25	103.13	117.24	154.72	158.71	125.84	128.61
Denmark (33)	304.21	0.8	292.80	201.67	229.53	232.16	0.7	1.82	301.92	290.06	200.43	227.85	230.55	304.88	252.41	259.80
Finland (24)	187.99	2.3	180.94	124.62	141.84	177.82	2.3	1.80	183.76	176.54	121.88	138.68	173.89	275.11	171.13	183.34
France (98)	189.17	1.6	182.07	125.40	142.73	147.95	1.3	3.14	186.25	178.94	123.64	140.56	146.01	191.17	161.53	165.88
Germany (60)	173.36	1.5	166.86	114.92	130.80	130.80	1.2	1.85	171.23	164.51	113.67	129.23	129.23	175.35	142.25	150.39
Hong Kong (59)	443.06	0.5	426.44	293.71	334.29	438.84	0.5	3.15	440.70	423.39	292.55	332.58	437.54	451.19	323.87	324.04
Ireland (16)	259.84	1.1	250.10	172.26	196.05	230.39	1.1	3.43	257.02	246.92	170.62	193.97	228.01	262.70	205.44	215.27
Italy (59)	74.79	2.3	71.98	49.58	56.43	87.17	1.7	1.71	73.14	70.26	48.55	55.19	85.73	82.71	65.45	74.74
Japan (482)	150.73	-0.2	145.07	99.92	113.73	99.92	-0.3	0.79	151.01	145.08	100.25	113.97	100.25	154.82	136.95	145.69
Malaysia (107)	525.27	-0.1	505.57	348.21	396.32	516.67	0.0	1.62	525.58	504.93	348.90	396.63	516.67	561.98	425.77	473.33
Mexico (18)	1148.87	0.5	1105.88	761.86	866.91	9440.54	0.1	1.47	1142.41	1097.53	758.38	862.14	9421.60	1237.14	647.81	898.49
Netherland (19)	282.13	0.7	271.55	187.03	212.87	209.33	0.7	3.20	280.12	269.11	185.95	211.39	207.88	283.23	223.09	227.30
New Zealand (13)	81.23	1.9	78.18	53.85	61.29	63.77	1.6	4.57	79.75	76.61	52.94	60.18	62.75	85.48	72.39	72.52
Norway (33)	242.89	0.4	233.78	161.02	183.26	208.84	0.3	2.19	241.86	232.35	160.55	182.52	208.24	243.79	202.78	211.14
Singapore (44)	456.05	0.0	438.95	302.32	344.10	290.01	0.1	1.38	456.24	438.32	302.87	344.31	289.76	465.21	346.10	346.26
South Africa (45)	397.52	1.2	382.61	263.53	299.94	334.95	0.3	3.55	392.76	377.33	260.73	296.40	333.94	437.78	303.31	307.23
Spain (37)	175.13	0.0	168.56	116.10	132.14	182.20	-0.1	3.70	175.20	168.32	116.31	132.22	182.31	175.20	124.10	133.67
Sweden (47)	338.14	2.0	325.46	224.16	255.13	336.40	1.6	2.13	331.55	318.53	220.10	250.21	331.13	338.14	232.23	245.52
Switzerland (38)	230.95	1.3	222.28	153.10	174.25	168.79	1.0	1.58	227.95	219.00	151.32	172.03	167.11	230.95	171.70	172.28
Thailand (46)	184.22	-0.9	177.31	122.12	138.99	180.21	-0.9	1.97	185.90	178.59	123.41	140.29	181.94	193.95	130.15	148.17
United Kingdom (205)	232.67	-0.1	223.94	154.24	175.55	223.94	0.0	4.04	233.01	223.86	154.68	175.84	223.86	235.50	192.74	196.69
USA (631)	269.06	0.1	258.97	178.37	203.01	269.06	0.1	2.15	268.82	258.25	178.45	202.87	268.82	269.11	197.20	196.35
Americas (778)	245.29	0.1	236.09	162.61	185.07	208.22	0.1	2.15	245.03	235.48	162.70	184.96	208.05	245.54	180.00	182.67
Europe (730)	208.25	0.8	199.51	136.73	155.62	176.53	0.7	2.99	204.65	196.61	135.86	154.44	175.25	206.28	169.63	172.87
Nordic (137)	293.45	1.6	282.44	194.54	221.41	252.48	1.4	2.00	288.72	277.38	191.67	217.89	249.04	296.02	222.22	232.34
Pacific Basin (832)	164.28	-0.1	158.12	108.91	123.95	112.14	-0.2	1.18	164.40	157.94	109.14	124.07	112.37	171.67	145.95	151.58
Euro-Pacific (1562)	181.67	0.3	174.85	120.43	137.07	138.56	0.2	2.01	181.07	173.95	120.20	136.65	138.22	183.31	156.37	160.36
North America (782)	262.01	0.1	252.18	173.69	197.68	261.40	0.1	2.16	261.82	251.54	173.81	197.59	261.20	262.26	192.77	194.87
Europe Ex. UK (525)	187.07	1.3	180.05	124.01	141.14	143.87	1.1	2.41	184.67	177.41	122.59	139.36	142.30	187.07	152.92	156.03
Pacific Ex. Japan (350)	269.11	0.4	259.01	178.40	203.04	253.52	0.3	2.90	267.89	257.38	177.84	202.18	252.67	269.11	222.29	231.05
World Ex. US (1754)	183.12	0.3	176.25	121.39	138.16	140.86	0.2	2.07	182.51	175.34	121.16	137.73	140.53	184.71	156.72	160.89
World Ex. UK (2180)	207.47	0.3	199.68	137.53	156.53	173.10	0.2	1.81	206.92	198.78	137.36	156.15	172.78	207.64	166.62	169.33
World Ex. Japan (1903)	242.17	0.3	233.08	160.54	182.72	227.45	0.3	2.50	241.32	231.84	160.20	182.11	226.73	242.17	187.55	189.23
The World Index (2365)	209.73	0.2	201.86	139.03	158.24	177.74	0.2	2.10	209.25	201.03	138.91	157.91	177.44	209.73	169.20	172.26

Latest prices were unavailable for this edition. Market closed 23/2/96: Malaysia.

Jobs aren't being sucked down Mexico way

Patti Waldmeir finds Arizona whooping for Buchanan but employment in the state growing nicely

US ELECTIONS
November 5

Mr Pat Buchanan yesterday took his black ten-gallon hat and silver bolo tie down to the Mexican border – the front line of his campaign over immigration and trade which, so the party's pace-setter hopes, will bring in the voters at today's Republican presidential primary in Arizona.

Mr Buchanan, conservative commentator turned Republican nomination candidate, has enjoyed himself hugely during a campaign tour of Arizona staged for maximum television impact. Images of the grinning, cowboy-hatted candidate toting a 1964 Winchester rifle at a gun show in Phoenix, or swaggering at the OK Corral, easily overshadowed his rivals.

Sound bites from Senator Bob Dole's airport news conference and shots of Mr Steve Forbes's Phoenix walkabout lacked impact.

Buchanan crowds have been both large and vocal, though the candidate has attracted not only cheers but heckling from Mexican-Americans angered by his tendency to portray immigrants as welfare-consuming criminals.

At one large rally in Phoenix on Sunday afternoon, the mood was all adulation. Staged in the walled retirement community of Sun City West – a gleaming, spotless vision of 1950s American suburban values – 300 Buchananites turned up for a gathering of United We Stand America, the organisation headed by Mr Ross Perot, the independent candidate who took a quarter of the presidential vote in Arizona in 1992.

The rally was one of the first signs of active collaboration between the Buchanan and Perot forces.

The crowd ranged from zealots – one man turned up in a combat helmet adorned with a swastika, another wore a t-shirt proclaiming "Jews for Jesus and Pat Buchanan", a third carried a placard: "This Hispanic supports Pat Buchanan; God Bless America" – to upper-middle class retired people like Bernard and Isabelle Thoman.

They applauded loudly when Mr Buchanan exhorted the crowd, in a phrase borrowed from Mr Perot, to listen to "the giant sucking sound" of jobs being siphoned from Arizona to Mexico as a result of the North American Free Trade Agreement.

"Did you see that story in the paper this morning? Another 170 jobs gone to Mexico," Mr Thoman asked, referring to a local chainsaw manufacturer's decision to move production to its Mexican plant. "Nobody is secure any more. The security blanket is gone."

However, figures from Arizona's department of commerce do not support either Mr Buchanan's anti-Nafta rhetoric or the perception of the Thomans and others of a huge net outflow of jobs from Arizona.

In the Phoenix area alone, nearly 22,000 new jobs were created last year by companies moving to the area, or expanding, and making $2.4bn in new investments. Not included in this figure is a $1.3bn chip production expansion under way at Intel, which will create a further 1,300 jobs.

Department officials estimate that exports to Mexico, Arizona's largest trading partner, support 36,000 jobs in a state where overall exports account for employment of 120,000 people. Also, according to a study by the University of Arizona, Nafta has lifted the job total, with 2,000 to 5,000 new jobs created as a direct result of the agreement – the commerce department says that figure is conservative.

Only 44 people in the state have so far qualified for federal assistance available to those who lose jobs through Nafta.

The Thomans, however, brush off such figures, as they do all criticism of Mr Buchanan from the Republican establishment. For them, the salient fact is that goods in the shops bear non-US labels. "Remember when we used to make the most beautiful shoes in the world?" Mrs Thoman muses.

Mr Buchanan is hoping to ride just such a wave of economic nostalgia, all the way from Phoenix to the White House.

DOLE SHAKES UP CAMPAIGN TEAM

Senator Bob Dole, the Senate majority leader, yesterday brought in a new senior strategist and pollster to try to add some focus to his struggling campaign for the Republican presidential nomination, Jurek Martin reports from Washington.

Mr Don Sipple, who had worked for Governor Pete Wilson of California, replaces Mr William Lacey in the strategic position, while Mr Tony Fabrizo takes over from Mr William McInturff as chief pollster, assisted by Mr Fred Steeper from President George Bush's re-election effort four years ago.

The sequence of presidential primary elections in the US is about to enter its most intensive month.

Mr Sipple is expected to give a new and positive spin to Mr Dole's image in the important South Carolina primary on Saturday, rather than emphasise his opponents' drawbacks.

Mr Dole's private polling, as conducted by Mr McInturff, has consistently shown the candidate in better shape than the primary results have been doing.

That was notably the case in Delaware on Saturday, where the primary was won by Mr Steve Forbes, the magazine publisher.

AMERICAN NEWS DIGEST

Ontario public sector strike

About 25,000 Ontario civil servants began a strike yesterday, after talks had broken down over proposals by the Canadian province's Conservative party government for deep public sector job cuts.

The Conservatives, who took office last June on a platform of fiscal austerity, have promised to trim the civil service by 15 per cent, or about 13,000 jobs. The new government has already cut welfare payments, business subsidies and numerous other programmes with a view to eliminating its C$8.7bn (US$6.4bn) deficit by 2001.

Talks between the government and the Ontario Public Service Employees' Union stalled on the terms of severance packages. Among the public services affected by the strike are those concerning property transfers, company registrations, jails, driving tests and road construction.

The unions organised a protest march last weekend at Hamilton, an industrial city south-west of Toronto, which attracted about 100,000 people. However, the provincial government has pledged not to give in to "special interest groups". *Bernard Simon, Toronto*

Philips to settle claims

The North American arm of Philips Electronics will pay $65m to settle claims that it sold faulty electronic parts to the military, in one of the largest settlements of its kind, the US government said yesterday.

The justice department said the settlement with the unit of the Dutch company was one of the largest ever involving allegations that a military contractor had sold electronic components that failed to meet specifications and had been improperly tested.

The case involved capacitors sold from 1988 to 1992 by a Philips operation in Florida and resistors sold during the same period by another facility in Texas. The two parts have been used in military aircraft, missiles, satellites and radar systems. *Reuter, Washington*

Central American trade plan

Mr Warren Christopher, US secretary of state, was yesterday to unveil a plan to improve trade terms for some smaller economies in Central America and the Caribbean, US officials said.

An official travelling with Mr Christopher, on the first leg of a Latin American tour, said Central American and Caribbean countries in the Caribbean Basin Initiative would be granted lower tariffs on certain export products.

Mr Christopher was due to make the announcement in a speech to the Salvadorean legislative assembly late yesterday. The proposed trade concessions would be subject to US congressional approval. *Reuter, San Salvador*

Auto workers delay walk-out

The United Auto Workers union in the US yesterday delayed a threatened strike at two General Motors brake plants at Dayton, Ohio, so as to continue efforts to resolve the dispute.

About 3,000 UAW members let a strike deadline pass without halting production as talks continued on issues including staff levels, work going to outside companies and health and safety. Talks are to resume this morning.

The plants manufacture braking systems and components for nearly all of GM's North American cars and trucks. A prolonged strike would force the vehicle maker to shut down assembly lines. *Reuter, Detroit*

Cuba claims to be holding pilot after exiles' aircraft shot down

Havana accuses US of lying

By Pascal Fletcher in Havana

Cuba and the US were waging a war of words yesterday over the shooting-down by Cuban fighters of two small US civilian aircraft piloted by Cuban exiles. The Cuban foreign ministry accused Mr Warren Christopher, US secretary of state, of "lying cynically" about the location of the incident on Saturday.

Mr Christopher said on Sunday that, according to information with the US government, the aircraft had been shot down in international waters. He accused Cuba of having committed "a blatant violation of international law and norms of civilised behaviour".

President Bill Clinton was expected yesterday to announce further measures against Cuba. He had "approved a series of steps that the US will pursue with the international community and unilaterally, that we believe will make clear there is a price for outrageous behaviour," said Mr Mike McCurry, White House press secretary.

Washington is also seeking international condemnation of the Cuban action at the United Nations security council. However, Cuba asked the council yesterday to defer consideration of the incident until Mr Roberto Robaina, Cuban foreign minister, has arrived in New York today.

The foreign ministry in Havana, which has already defended the downing of what it called "pirate" aircraft, said it had "unequivocal proof" that they were brought down inside Cuban airspace. The ministry said it had radar fixings of their route and recordings of the pilots' conversations.

No survivors had been reported so far from the two downed aircraft, but Cuba said it had "with us" a pilot belonging to the Miami-based group, Brothers to the Rescue, whose aircraft were shot down. The Cuban statement did not confirm that he was a survivor of the incident.

However, the wording suggested that the Cuban government was preparing to present the pilot in public so as to back its accusation that the Miami-based group of volunteer pilots was a "terrorist mafia which has elaborated repugnant and bloody plans against our people".

Brothers to the Rescue has said its aircraft were on a humanitarian mission, searching for Cubans on rafts.

Cuba said the group's pilots had carried out a series of "provocation" flights over Cuba and dropped "subversive leaflets" as part of a campaign against President Fidel Castro's government waged by anti-communist Cuban exiles in Miami.

Havana had previously advised the US and exile groups that such flights could have dangerous consequences.

Clinton (left) and Castro: disputing the precise location of a fatal incident in the air

Growth will slow but 'no recession'

The US economy will grow 1.9 per cent this year compared with last year's 2.1 per cent, but is unlikely to slip into recession, a survey of economists said yesterday, Reuter reports from Washington.

The government said on Friday that the economy grew by 0.9 per cent in the final quarter, just one fourth of the rate in the preceding period. Last year's growth rate was the weakest performance since 1991, when the economy shrank 1 per cent.

The National Association of Business Economists forecast that gross domestic product, the broadest measure of the economy, would grow 1.9 per cent this year and 2.2 per cent in 1997.

"The quarterly growth path for real GDP shows 1996 beginning on a soft note, and increasing steadily during the course of the year," the group said, noting that bad weather and government shutdowns weakened first-quarter growth.

Despite the slowdown in economic activity, the chance of recession was seen as "only one in four in 1996", the group said. The survey included 36 of the group's economists.

The risk that the near five-year expansion would slip into recession rose to one in three in 1997.

"The outlook for interest rates is fairly sedate," the group added. Short-term rates were likely to fall steadily this year, although this might be reversed near year-end. Long-term rates as measured by the 30-year Treasury bond yield should average 6 per cent.

The group warned that failure of the Clinton administration and the Republican-led Congress to reach a long-term deficit reduction agreement could hurt economic growth and push up interest rates.

Green indicators urged on Clinton

By Leyla Boulton, Environment Correspondent

President Bill Clinton is being urged by his own think-tank on the environment to introduce new economic indicators to measure environmental well-being and streamline "green" regulations for companies.

The president's council for sustainable development, set up to devise policy recommendations for environmentally sustainable economic growth, is expected to meet Mr Clinton in the next few weeks to find out what action he will take on the proposals.

Chaired jointly by Mr David Buzzelli, vice-president of Dow Chemical, and Mr Jonathan Lash, who heads the World Resources Institute, an environmentalist organisation, the council says: "A sustainable US will have a growing economy that provides equitable opportunities for satisfying livelihoods and a safe, healthy, high quality of life for current and future generations."

Its recommendations include:

- New national indicators to measure items such as diseases and deaths from environmental damage, and environmental equity, or the disproportionate environmental burdens borne by different social and economic groups. Many environmentalists argue that present economic indicators fail to measure national wealth properly because they do not take into account damage to scarce natural resources and the quality of life.
- Improving the current regulatory system "to deliver required results at lower cost". Mr Buzzelli said some streamlining being undertaken by the Clinton administration in response to industry's complaints had been born of council discussions. This included a pilot project, run by the environmental protection agency, to give companies which go beyond environmental protection targets greater flexibility to choose how they implement legislation.
- Greater use of market incentives to promote environmental protection, such as reexamining subsidies which hurt the environment and reforming the tax system to enhance environmental protection. Mr Buzzelli said the council would probably be transformed into a larger body to supervise the implementation of its recommendations in the future.

The environment has become an issue in the US presidential campaign this year as leaders in the Republican party have suffered a loss of popularity for trying to trim environmental regulations.

However, some analysts are still sceptical about how much of a positive impact the report will have on environmental policy-making in the near term.

Premier fights for survival Weapons report is entangled with search for Ulster peace

Governments fail to end Ireland deadlock

By John Kampfner in London and John Murray Brown in Belfast

Senior officials of the British and Irish governments were meeting last night in an attempt to rescue prospects of a prime ministerial summit this week which would aim to keep alive moves towards all-party negotiations about the future of Northern Ireland.

The talks in London took place shortly after acrimonious discussions in Northern Ireland between leaders of Sinn Féin, the political wing of the Irish Republican Army, and the British government.

Mr John Major, the British prime minister, and Mr John Bruton, his counterpart in the Republic of Ireland, responded to the resumption of IRA violence earlier this month by making clear the need for urgent action to patch together the remains of a political initiative for Northern Ireland.

However, the governments and several of the political parties in Northern Ireland remain deadlocked on two important areas: elections to some form of constitutional convention and the setting of a date for the start of all-party talks.

The moderate nationalist party, the Social Democratic and Labour party, and the government of the republic have made clear that the setting of a deadline for negotiations is essential in persuading the IRA to restore its ceasefire.

Mr Martin McGuinness, chief negotiator for Sinn Féin in talks with the British government, said he was "very disappointed" that British officials were not prepared to give a specific date for the start of all-party dialogue. Britain, he claimed, was still not prepared to take risks for peace.

"The situation is very grave indeed," he added, "but at the same time Sinn Féin is very conscious of the responsibilities we have along with others – we can't do it on our own – to rebuild the process which was destroyed by the refusal of John Major and his government to enter into negotiations which we all know are required . . ." Mr McGuinness made clear as he left a meeting with British officials in Northern Ireland that Sinn Féin remained implacably opposed to the elective process proposed by the British government. It would be "a total anathema to the entire nationalist community".

Changing the guard: soldiers on guard at Buckingham Palace exchanged their ceremonial uniforms for flak jackets after security chiefs warned of a risk of an IRA attack

Conservatives act to bolster support on Scott report

By Robert Peston, Political Editor

The British government yesterday made last minute concessions to the Ulster Unionists in the Northern Ireland peace process ahead of the vote on the Scott Report, whose outcome depended on whether the UUP MPs joined the opposition in the lobbies. The Ulster Unionists are the largest anti-nationalist party in Northern Ireland.

With the result of the vote poised on a knife-edge, Sir Patrick Mayhew, the Northern Ireland secretary, wrote to the UUP MP Mr Ken Maginnis to reassure him that the government had not taken a decision on which of two competing plans for Northern Ireland elections would be adopted.

Senior government officials yesterday denied that Sir Patrick's move had been motivated by a desire to win the vote. However, Sir Patrick's letter will infuriate the main opposition parties, which are expected to allege that the Northern Ireland peace process has been jeopardised by the political battle over the Scott report. The letter also said that the government would leave to Northern Ireland's democratic parties a decision on whether a peace process referendum should be held.

UUP MPs had been threatening to vote against the government in the Scott vote because of their concern that the UK prime minister is backing the electoral plan and referendum favoured by the moderate nationalist Social and Democratic Labour party.

Following a meeting last night between Mr David Trimble, the UUP leader, and Mr John Major, the prime minister, there were signs that they had backed down and would abstain, leading MPs to speculate that the government would narrowly win the the vote in the House of Commons on the Scott report.

However, several Tory MPs were expected to vote with the opposition or abstain.

While refusing to concede to opposition demands for the resignations of two ministers – Mr William Waldegrave, the Treasury chief secretary, and Sir Nicholas Lyell, the attorney-general – the government moved nearer to accepting the report's criticisms of its conduct in the late 1980s.

Mr Ian Lang, trade and industry secretary, who opened the debate, said that "we accept . . . that there have been mistakes".

In a bravura performance which won plaudits even from Tory MPs, Mr Robin Cook, Labour's foreign affairs spokesman, described Mr John Major's administration as a "government which knows no shame".

12 Tories demand curbs on EU power

By James Harding at Westminster

A dozen senior Conservatives will today urge the prime minister to reverse the process of European integration and restore to Westminster powers now held in Brussels. Their action signals a lurch to the Eurosceptic right by previously loyal moderates in the governing party.

The submission, from such senior MPs as Sir Michael Spicer, Sir Ivan Lawrence and Mr Jonathan Aitken, calls on the British government to allow closer union by other member states only if the UK can retrieve powers from the European Union.

The paper is an attempt to shape the government's thinking as it drafts a paper for next month's intergovernmental conference on the future development of the EU.

But today's submission goes much farther than anything so far suggested by the Foreign Office and demonstrates the growing pressure on Mr John Major to adopt a Eurosceptic position when the conference opens in Turin next month.

The group's strident demands for restoration of powers to a British parliament underlines the depth of Tory opposition to further European integration and acts as a warning to Mr Major that the conference could once more reveal divisions over Europe within the Conservative party.

The British Committee of the European Research Group, which makes the submission, warns that "Britain is already on a conveyor belt to political union."

The group advises Mr Major that the UK's national veto will not be enough to halt the process of further integration when member states meet for the conference. Instead, they recommend a negotiating strategy whereby Britain agrees to withhold its veto "when others wish to forge ahead on their own", in return for a repatriation of powers in areas such as farming and fisheries.

Thatcher recalls 'restraint' in sales to Iraq

By James Harding at Westminster

Baroness Thatcher, the former prime minister, yesterday led a list of former Conservative ministers who thanked Sir Richard Scott for his report and then immediately rejected his conclusions.

Lady Thatcher spoke in a debate in the House of Lords which lacked the bluster but none of the bitterness of the arguments in the House of Commons. "I differ with Sir Richard" in his conclusion that export guidelines to Iraq were changed, said the former prime minister. "If there was no change in the guidelines – and there was not – then the question of deliberately misleading the House does not arise."

Lady Thatcher argued that her government not only acted honourably, but was more restrained than other allies in their sales to Iraq. "The government did not authorise the sale of any lethal equipment to Iraq and Iran. By contrast some of our competitors, particularly our fellow European Union members, showed no such restraint." she told the Lords. Where she was courteous, her former junior minister in the Foreign Office, Lord Trefgarne, was virulent in his criticism of Sir Richard Scott.

He told the Lords that Sir Richard emerged from the inquiry with his reputation "tarnished".

"Contrary to the process of natural justice," Lord Trefgarne said, "Sir Richard Scott formed his conclusions from a preliminary and incomplete reading of the papers and then proceeded to reject for no good reason a huge mass of evidence which pointed in a different direction." As part of the government's concerted effort in the Lords, the unelected upper House of Parliament, Lord Trefgarne echoed his former prime minister in concluding that "the guidelines were not changed and thus there was no question of misinforming or misleading parliament."

Lords from opposition parties argued that such a view was at odds with Sir Richard's conclusion that junior ministers were "in any ordinary use of the language, agreeing on a change of policy."

UK NEWS DIGEST

BT set to launch Internet service

British Telecommunications, the former state utility, is to launch a mass market Internet service, BT Internet, next month in an attempt to transform a niche interest into a mainstream activity. The price of the service, aimed at residential and small business customers, will comprise a registration fee of £15 ($23.10) with a monthly subscription of £15. An annual subscription of £150 will give a 16 per cent discount. Calls to the service will be charged at local rates throughout the UK.

BT already offers a range of Internet services for business people and academics, but its presence in the consumer market could "legitimise" the Internet in much the same way as IBM's move into personal computers persuaded customers that PCs were a serious business issue. BT expects to be a major player in the market for Internet services, which it estimates could reach £2bn by 2000.

Oftel, the industry regulator, said it had been informed the service was due to be launched, but there had been no discussions. The service was a separate business unit with separate accounting and as long as it paid market rates for access to the network there was no question of cross subsidy.

● All British secondary schools were offered a free Internet connection by America OnLine, a US Internet provider. The move undercuts several other suppliers already offering schools substantial discounts, and suggests that virtually all secondary schools will have some connection to the Internet by the end of this academic year. AOL, a joint venture with Bertelsmann, the German media group, hopes the offer will pay for itself by stimulating children to ask thair parents for connections for domestic use.

Alan Cane and John Authers, London

Legal blow for Fayeds

The Fayed brothers, owners of Harrods, the London department store, suffered a setback yesterday in their fight to be granted British citizenship. The High Court rejected a claim by Mr Mohamed and Mr Ali Fayed that Mr Michael Howard, home secretary, had acted unlawfully in refusing to give reasons for rejecting their applications for naturalisation last year.

Mr Justice Judge said that although Mr Howard's decision "lacked the appearance of fairness", the home secretary was not legally obliged to give reasons. Nor had be acted unlawfully in failing to give the Egyptian-born brothers the opportunity to deal with matters considered adverse to their applications. Rejecting their application for a review, the judge added, that Mr Howard might like to reconsider his refusal to give reasons. The brothers immediately announced they would appeal to the Court of Appeal.

Robert Rice, Legal Correspondent

Singer drops court action

Robbie Williams, the pop singer who quit Take That last summer, has dropped his legal action against RCA, the band's record label. The case, due to start yesterday, had promised to be the most controversial legal action in the UK music industry since George Michael unsuccessfully sued Sony Music three years ago.

Late on Sunday Williams' lawyers reached an agreement with RCA to drop the case. Neither RCA nor Williams released details of their agreement, but it is understood be has agreed to record for the company as a solo artist.

He has also withdrawn his objections to the release of a Take That *Greatest Hits* album next month and abandoned legal claims against Arista, Take That's US record label which, like RCA, is a subsidiary of Bertelsmann, the German media group.

Alice Rawsthorn, London

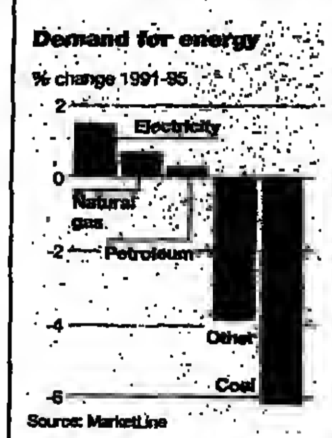
London development study

BAA, the airport operator, is to participate in a feasibility study into the redevelopment of Battersea Power Station, a disused landmark building by the River Thames in London. BAA will join three other companies in a study into plans to turn the power station into a leisure and retailing centre. Two of the other parties involved are the Hong Kong-based Hwang family and the Gordon group of the US. The fourth company has not been named.

BAA's retailing outlets form a growing part of its activities and the group is keen to find other outlets to offset the loss of European duty-free sales in 1999.

Michael Skapinker, Aerospace Correspondent

Electricity outstrips rivals



Industrial demand for electricity is continuing to grow in spite of competitlon from other fuels, according to a new survey by Marketline International, a research organisation. It shows that the annual growth rate for electricity since 1991 was 1.5 per cent, well above tha 0.1 per cent growth in energy demand as a whole in the UK. The old centres of heavy industry in central Britain, including Yorkshire, north Wales and the Midlands, continue to rank among the largest consumers of electricity. Industrial consumption is lowest in London, the south-west and south-east. The Marketline report suggests consumption of electricity will continne to rise as economic growth gathers pace. In the 1991 to 1995 period, the use of natural gas rose by an average 0.7 per cent a year, with growth in petroleum consumption of 0.3 per cent. Coal usage during the period dropped steeply, by an average of 6.2 per cent a year.

Robert Corzine, London

Number of TV channels 'may top 4,000 in four years'

FT *Conferences*

A leading European satellite broadcaster yesterday predicted further extensive growth in the number of television channels available in the next few years, Raymond Snoddy writes. Mr Koos Bekker, chief executive of NetHold, the international satellite broadcaster, said that by the year 2000 as many as 4,500 television channels could be made available because of advances in digital compression technology. Digital compression already enables as many as 10 satellite channels to be squeezed into the capacity now occupied by a single channel.

Mr Bekker told the FT New Media and Broadcasting conference in London that compression levels of 1,000-1 were being achieved in laboratories.

At the same time, Mr Bekker said, flat satellite television aerials had already been developed which could be "slapped on and painted the colour of your roof" and which could receive signals from a number of satellites. The next stage would be to turn the working prototype aerials into mass production products.

In such a multiple channel world of global and regional channels, Mr Bekker continued, "the role of the national regulator is very unclear".

Mr Abe Peled, chief executive of News Datacom, a subsidiary of Mr Rupert Murdoch's News Corporation, pointed out that the number of channels available in future would depend on the quality of pictures required.

"But there will be more compression, and the channels will be much more narrowly focussed," Mr Peled said. Digital broadcasting was the most cost-effective way to deliver electronically everything from newspapers, books and magazines to music, software and games direct to PCs, he added.

Digital newspapers delivered simultaneously to thousands of users would be much faster and cheaper than dalivery by a typical Internet connection.

Sponsorship Oxford orchestra secures $770,000 from big companies

'I'm an interesting artistic diversion'

By Peter Marsh in London

Ms Patricia Bavaud detests the word "sponsor", preferring to talk of companies she collects mooey from as "collaborators". Ms Bavand is managing director of the Oxford Orchestra da Camera, a chamber orchestra she set up three years ago and which is funded almost entirely by big international businesses.

In running the orchestra, Ms Bavaud has shown shrewd commercial acumen in cashing in on the university city of Oxford's international image, drawing on a long list of business and artistic connections to raise £500,000 ($770,000) from companies including Glaxo Wellcome, British Telecommunications, Shell, Rank Xerox and Oki, the Japanese printer maker.

Ms Bavaud, a violinist, is tha Oxford orchestra's single full-time employee. "I talk to companies about what we can do for them, not what they can do for us," she said. Companies hacking Ms Bavaud's music group, which plays around the world, use public performances as "marketing opportunities" to wine and dine contacts.

Ms Bavand has succeeded in bucking the trend across Europe in which arts sponsorship is becoming increasingly difficult as profits come under pressure. "Anyone who has raised £500,000 [from sponsorship] in the current climate has done extremely well," said Mr Peter Readman, chairman and co-founder of the London-based Chamber Orchestra of Europe which plays across the continent and haa a good record in raising cash from businesses.

"Patricia is engaging and relentlessly persistent," said Mr Chris Crowcroft, a London-based fund-raising consultant for arts organisations. "She starts by saying she knows nothing about marketing, but once she'a got past the door [of a potential sponsor] she almost invariably comes away with some help."

Ms Bavaud said of her technique: "I cultivate people's secretaries and know the right kind of perfume to wear [when seeking collaborative deals]. For many of the people running big companies I'm an interesting artistic diversion but I'm never patronising."

Among Mr Bavaud's coups was persnading Mr Paul Sacher, the reclusive Swisa arts patron and conductor, who according to Forbes magazine is Europe's richest person with assets of $8.6bn, to take part in a three-nation tour last year of her orchestra.

After several conversations, Mr Sacher signed up to conduct the orchestra in four concerts in the UK, Hungary and Switzerland.

Following this, Ms Bavaud had little tronble persuading two linchpins of the Swiss business community to bankroll the concerts with a combined £97,000 grant. The two companies were Roche, the Basle-based drugs company in which Mr Sacher's family has a large stake, and SG Warburg, owned by Swiss Bank Corporation which has a long association with Roche.

SBC officials were impressed by her "top level access" to leading businesa people in Switzerland, according to a spokeswoman, and gained good value from the £32,000 it put into the concerts.

This year the orchestra is planning about 27 concerts in eight countries, including a tour of North and South America. The budget for this will be about £500,000 which Ms Bavaud is confident she will acquire, mostly from multinationals.

LAW

Victory on maternity pay

EUROPEAN COURT

The European Court of Justice has ruled that women on maternity leave are entitled to receive pay rises awarded before or during their period of leave. The case followed a dispute between 17 women and their employer, the Northern Ireland health services, over the amount of benefit they were entitled to during maternity leave, which they took in 1988.

Under a collective agreement, they received full pay for four weeks, 90 per cent for the next two weeks, followed by 12 weeks on half pay. At the end of 1988, a pay increase backdated to April 1 was negotiated, but the women were denied the benefit of it.

They brought proceedings to an industrial tribunal, claiming sex discrimination because their pay had been reduced during their leave. The tribunal referred the case to Luxembourg. The European Court was asked to determine whether the effect of equal pay rules was that women on maternity leave had to continue to receive full pay and, where appropriate, receive a pay rise awarded before or during leave.

If there were no such requirement, the court was asked to consider whether European law laid down specific criteria for determining the amount of maternity leave benefit to be paid.

The court reiterated that the Treaty of Rome equal pay rules were designed to eliminate all discrimination on grounds of sex with respect to all aspects of remuneration. The concept of pay was defined to include all consideration which workers received, directly or indirectly, from their employers for their work, including payments under legislative provision or a contract of employment to a non-working employee. Maternity pay thus fell within the concept.

On the question of whether the different pay conditions were discriminatory, the treaty's equal pay provisions preclude rules which permit men and women to be paid different rates for the same work or for work of equal value. Women on maternity leave were in a special position which required them to be afforded special protection. However, their situation was neither comparable with that of a man nor a woman actually at work. Discrimination could only arise when different rules applied to the same situation or the same rules applied to different situations.

Thus the relevant treaty provisions did not give the right to women to receive full pay while on maternity leave. Although European legislation existed to protect the health and safety of women it did not set down criteria for the amount of benefit payable during maternity leave.

However, it was clear the amount payable could not be so low as to undermine the purpose of maternity leave. Given that, the court ruled that the national court, in determining the adequacy of the benefit, had to take account of not only the length of maternity leave but also other forms of social protection afforded by national law for justified absence from work.

The court said women on maternity leave should receive a pay rise awarded before or during their period of leave. The benefit paid was equivalent to a weekly payment calculated on the basis of the average pay received by a worker at the time when that worker was actually working.

The court ruled the principle of non-discrimination required a woman, still linked to her employer by a contract or employment relationship, had to be able to benefit from any rise, even backdated, awarded between the beginning of the reference period used to calculate the maternity benefit and the end of the leave.

To deny such an increase would be to discriminate against her purely in her capacity as a worker since, had she not been pregnant, she would have received the rise.

C-342/93: Gillespie v Northern Health and Social Services Board, ECJ FC, February 13 1996.

BRICK COURT CHAMBERS, BRUSSELS

INTERNATIONAL PEOPLE

Holbrooke finds his niche at CSFB

Richard Holbrooke (left), US assistant secretary of state for European and Canadian affairs, has found the niche he wanted on Wall Street, after announcing his resignation from the US state department late last year.

Many had thought he would return to Lehman Brothers, where he worked before joining the Clinton administration in 1993. Last week, however, he moved to CS First Boston as a vice-chairman of the US subsidiary of Credit Suisse, the Swiss bank.

With investment banks fighting for top Washington names to help develop their global businesses, Holbrooke is a bigger catch than most. He has extensive experience in Europe and Asia, and is the only person ever to have been an assistant secretary of state for two regions of the world. He was US ambassador to Germany in 1993-94, and is credited with broking the Bosnia peace accord.

He plans to divide his time between developing CSFB's investment banking business in Asia and winning new business in the US and Europe.
Maggie Urry

Kobe Steel challenge

Masahiro Kumamoto (left), the new president of Kobe Steel, faces a challenging task as he takes over the helm, barely a year after the company was seriously affected by the Hanshin earthquake in January, 1995.

Kobe Steel, one of Japan's leading steelmakers, was quick to recover much of the ground it lost due to that calamity. The company expects to wipe out the losses it incurred as a result of the earthquake by the end of the next fiscal year.

Nevertheless, Kumamoto, 59, still has the formidable task of guiding the company through a difficult time for the Japanese steel industry.

Sokichi Kametaka, the current president, who becomes chairman and representative director after a board meeting this June, rates highly Kumamoto's personality and his wide experience within Kobe Steel.

Much of Kumamoto's time with the company has been spent in jobs involving raw materials purchasing and general administration.

His experience in the labour department early on in his career, and a later stint as general manager of the personnel group, should serve him well in tackling the many labour issues which companies in mature industries, like steel, confront. So, too, should one of his favourite sayings: "a calm, harmonious feeling brings happiness." *Michiyo Nakamoto*

O'Brien takes CP helm

David O'Brien, 54, has been named chairman and chief executive of Canadian Pacific, the north American transport, resource, hotel and property group, and officially takes over the posts at the annual meeting in Vancouver on May 1.

Trained as a lawyer and for many years an oil industry executive in western Canada, O'Brien succeeds William Stinson, the ceo since 1985 whose whole career has been with the company. Stinson is retiring but remains a director.

O'Brien headed PanCanadian Petroleum, Canadian Pacific's 87 per cent-owned energy subsidiary and chief profit contributor, for nearly a decade. In 1995 he moved to Montreal as president and chief operating officer of Canadian Pacific.

His arrival has helped to speed up a restructuring under which CP has jettisoned its airline, steel, pulp and paper, industrial products and communications interests over the past decade. *Robert Gibbens*

Eli Lilly's president

Eli Lilly, the Indianapolis-based pharmaceuticals company, has promoted Sidney Taurel to president and chief operating officer from president of the pharmaceuticals division. August Watanabe meanwhile rises to executive vice president, science and technology from president of Lilly Research Laboratories.

Now a US citizen, Taurel was born in Casablanca, Morocco, and graduated from Ecole des Hautes Etudes Commerciales in Paris in 1969. He has been executive vice president of Eli Lilly & Co. and president of the company's pharmaceutical division since January 1993.

He has served as a member of the board of directors since July 1991 and is currently a member of the company's policy committee and chairman of its operations committee.

Watanabe became president of Lilly Research Laboratories in January 1994. *Daniel Green*

J.Y. Pillay bows out

J.Y. Pillay (left), one of the world's longest-serving airline executives, steps down tomorrow as chairman of Singapore Airlines. Born in Klang, Malaysia, Pillay, 61, has been both head of the airline and a senior Singapore civil servant for decades.

He joined the civil service in 1961, serving on the economic development board, the ministry of finance, the defence ministry and the Monetary Authority of Singapore. He has been permanent secretary of the ministry of national development since 1989. He joined the board of Singapore Airlines, becoming chairman in 1972.

The airline is one of the most profitable in the world, as well as being widely admired for its service. Its managing director, Cheong Choong Kong, is unchanged.

The new non-executive chairman will be S. Dhanabalan, a former minister to the Singapore government.
Michael Skapinker

ON THE MOVE

■ Ronald LeMay has been appointed president and chief operating officer of SPRINT, the US telecommunications group.

■ Stuart Graham, head of INTERNATIONAL SERVICE SYSTEMS in Brazil, is to take over as head of ISS Asia division. He is replaced in Brazil by Eunio Marianno, 46, who was managing director for a French-owned company in the Brazilian car industry. Theo Buitendijk, director, international operations for ISS Europe, has taken charge for ISS activities in Germany following the resignation of the previous head.

■ David McKee has been named vice president and deputy general counsel of BAXTER INTERNATIONAL, the hospital supply company. Pei-yuan Chia, who is retiring as a vice chairman of Citicorp, joins the board.

■ Peter Harf, 49, chief executive of JOH A BENCKISER, a German consumer products company, has joined the board of Brunswick Corporation, the world's largest maker of recreational boats.

■ Thomas Perkins joins the supervisory board of PHILIPS ELECTRONICS on March 25. Jack Bennett has reached retirement age. Perkins is chairman of Tandem Computers and has served on the boards of Genentech, Spectra Physics, CorningGlass Works, Collagen Corp.

■ Gerald Pribanic has taken over as MAYTAG's chief financial officer following John Cunningham's move to the same post at Whirlpool, Maytag's larger rival.

■ Peter Neff, president and chief executive of RHONE-POULENC's US unit, retires at the end of the year. David Eckert, president of North American chemicals, takes over as president from Jan 1, 1997. The company did not name Neff's successor as chief executive.

■ H. Kerner Smith has taken over as chief executive of STONE & WEBSTER, a New York-based engineering and consulting firm. Kent Hansen will continue to serve as non-executive chairman and Edward Walsh, who has been acting ceo since Bruce Coles's resignation last August, will resume his responsibilities as executive vice president and a director of Stone & Webster Inc. Smith, 51, has been chief executive of the US arm of Germany's Deutsche Babcock, Deutsche Babcock Technologies.

■ Kenneth Tomlinson, 51, is to retire as editor-in-chief of READER'S DIGEST magazine. He has worked for Readers Digest for 23 years, the last five as worldwide editor in chief.

■ Ian Hickson joins COMPUTER SCIENCE CORPORATION from Digital, as European group vice president, finance and administration. Hickson will oversee the financial operations of one of CSC's fastest-growing business units, with more than 5,000 employees in operations spanning Belgium, Germany, France, the Netherlands and the UK.

■ Kaj Larsen, 49, replaces Bent Claudi Lassen, who has been acting temporary chairman of TULIP INTERNATIONAL. Larsen runs a farm with an annual production of 10,000 pigs, as well farming 300 hectares in Frederiksbavn, Denmark.

■ Sean McNamara, one of the key figures in the development of the Finex Europe operation in the IFSC in Dublin, has been elected chairman of FINEX, the financial futures and options division of the New York Cotton Exchange. He succeeds Hunt Taylor, who will continue as managing director of the Dublin exchange.

■ Jerald Blumerg, 56, has been named chairman of DUPONT Europe, from March 31, and will relocate to DuPont International in Geneva. Blumberg, who joined DuPont in 1960, replaces Robert Luft, who is retiring as senior vice president after 39 years with the company.

■ Brian Murphy, formerly director of marketing, ABN Amro Bank Dublin, has been appointed country manager for ABN AMRO Bank in Sweden.

■ As foreshadowed at the time of Dresdner Bank's acquisition of KLEINWORT BENSON, Simon Robertson will succeed Lord Rockley as chairman of Kleinwort Benson Group at the end of March. Lord Rockley will remain on the board in a non-executive capacity.

■ Salim Ibrahim becomes a non-executive director of COURTAULDS TEXTILES. He will be retiring from his position as vice president – corporate managing director of Dupont's Lycra business.

■ AMER GROUP, the Finland-based parent company of Wilson Sporting Goods Co., has announced the resignation of John Riccitiello, 36, as Wilson president and ceo, in order to pursue personal interests. Jim Reid-Anderson, 36, current Wilson's senior vice president of finance, becomes chief operating officer. He joined Wilson in April 1994, having previously worked with PepsiCo, Grand Metropolitan and Mobil.

■ Nick Rowe, managing director of Diners Club International until 1993, and most recently chief executive of Harpur International, has been appointed group chief executive of GROVEND, the London-based cashless systems group part owned by Coca-Cola Enterprises Inc.

■ Robert Jeker has been appointed to replace Adolf Merkle, who is retiring, as a director of ELEKTROWATT.

■ Alessandro Barberis, FIAT AUTO's central manager, has been appointed international development and industrial cooperation manager.

■ The AFRICAN DEVELOPMENT BANK has appointed Chanel Boucher, a Canadian senior civil servant, as one of three vice-presidents under a new, streamlined structure. The other two are Ferhat Lounes, an Algerian, and Adewale Sangowawa, a Nigerian.

■ Alan Reid, UK head of KPMG MANAGEMENT CONSULTING, has added chairman of European Management Consulting to his responsibilities.

■ Gerry Giblin has been named as chief operating officer of CSK MICROGNOSIS, part of the CSK Corporation, Japan's largest independent computer services company.

■ Françoise Morechand has been appointed director of development in Japan for CONDE NAST Asia-Pacific, with a remit to expand the magazine group's Japanese operations. A veteran of Dior perfumes, Revlon and Chanel, Morechand has published 26 books on life styles in Japanese.

■ H. Furlong Baldwin, chairman and ceo of Mercantile Bankshares Corporation, joins the board of ALEXANDER & ALEXANDER SERVICES Inc.

■ Mathias DeVito becomes a non-executive director of ALLIED IRISH BANKS GROUP. DeVito has been a director of AIB's US subsidiary, First Maryland Bancorp, since 1974. He is chairman of the Rouse Company and a director of USAir Group.

International appointments

Please fax announcements of new appointments and retirements to +44 171 873 3926, marked for International People. Set fax to 'fine'.

TECHNOLOGY

Cystic fibrosis is heavily researched but progress has been faltering, writes **Daniel Green**

Testing ground for gene therapy

If there is a single proving ground for medicine based on genetics, it is cystic fibrosis. The condition is the most common simple genetic disease, occurring once in every 2,300 births. It was one of the first diseases to have the gene that causes it identified.

That was in 1989. The past seven years have seen some ground-breaking efforts to use that genetic knowledge to treat the disease, but progress has been slow.

According to the US National Institutes of Health, almost 600 people have so far received therapy to affect their genes – the NIH is spending $200m (£130m) a year in the area. Much of the work is in cancer, but cystic fibrosis is the most heavily researched of the simple inherited diseases.

The work on cystic fibrosis follows the basic principle that every gene triggers the production of a distinct protein in the body. A faulty gene makes the wrong protein and, often, an illness.

The cystic fibrosis gene should help make a protein called cystic fibrosis transmembrane conductance regulator. CFTR helps the movement of salt across membranes in the body.

When the gene is faulty, the effects range from strange to lethal. Sufferers have unusually salty skin. Sweat glands produce salty water under the skin, but, in healthy people, most of the salt is re-absorbed by the body before the sweat reaches the skin's surface. In cystic fibrosis sufferers, the salt stays in the sweat: and unusually salty sweat is an important test for the disease.

More dangerously, the movement of salt in solution across the surface of the lung is slowed. That leaves the mucus that coats the lung much stickier than in healthy people. It becomes both an obstacle for breathing and a hospitable place for bacteria to multiply. Most cystic fibrosis sufferers die from lung disease before the age of 30.

Today's treatments rely on trying to dislodge the mucus and dealing with the consequences of the disease. Intensive physiotherapy, in which the chest is pounded, can help. Antibiotics to deal with lung infections are also a regular feature of the cystic fibrosis sufferer's life.

In the past year, a new drug called Pulmozyme has been launched by Californian biotechnology company Genentech. It works by thinning the mucus in the lungs.

But medical researchers would like to treat the cause of cystic fibrosis, rather than its symptoms.

Given that the gene and the protein it helps to produce are known, there are several possible approaches:

● The protein itself could be given to the patient. But this is difficult in practice because the proteins are fragile and can be difficult to administer to the right part of the body. No material has yet been found to "escort" the protein to the right place.

● Cells with a normal cystic fibrosis gene could be implanted into the body. The idea of such a "neo-organ implant" holds out long-term promise if other approaches fail, according to Scotland's Royal Society of Edinburgh.

● The damaged genes in the body could be replaced with healthy ones.

This third option – gene therapy – has caught the imagination of researchers. This is not least because, if the principle of gene replacement can be shown to work in cystic fibrosis, it might be applied in other genetic disorders. Success here would hold out hope for sufferers of diseases ranging from muscular dystrophy to migraine.

Cystic fibrosis is also attractive to researchers because the cells whose genes need to be replaced are easily accessible: if the genes can be packaged in the right way, a patient need only inhale them.

Understanding of the basic science has only provided another starting point from which to begin

That package is known as a vector. It must take the genes to a cell, through the cell wall to the nucleus, through the wall of the nucleus to the chromosomes. Once there, the bad gene – one of about 100,000 – must be kicked out and replaced with a good one.

It is a tall order. The two solutions that have been attempted are analogous to a carefully aimed rifle and a blunderbuss.

The "rifle" bullets are viruses. Viruses invade cells and use the cell's DNA – the chemical which contains the genes – to reproduce. A virus that has been genetically engineered to include the good cystic fibrosis gene may be able to insert it into the unhealthy cell.

On top of that, the ability of viruses to get into the lung and thrive there is witnessed by the success of cold and influenza viruses.

The plan works well in the laboratory, but, once tried in people, things begin to go wrong.

"The gene transfer turns out to be inefficient," says Alan Smith, senior vice president of research at Genzyme, the Boston biotechnology company. "A lot of virus is needed, and that can lead to inflammation."

Research published last September in the New England Journal of Medicine contained the latest in a series of disappointing results for virus vector researchers. It showed that, at low doses, hardly any genes are replaced – one patient in six showed positive in a test sensitive enough to notice if 0.001 per cent of cells had new genes.

Increasing the dose raised the effectiveness of gene transfer only slowly and inflammation affected patients before a reasonable level of gene transfer was possible.

The paper concluded that the approach was "inefficient" and that a different vector should be tried.

Such experiments and theoretical concerns have thrown the spotlight on to another kind of vector: fat particles called liposomes.

This is dubbed a "blunderbuss" approach because the liposomes have no particular reason to visit lung cells and replace the bad genes. There are simply so many of them that a few will sooner or later find themselves in the cell nucleus.

It may not sound elegant, but Duncan Geddes of London's Royal Brompton Hospital has been testing the idea in patients. He says efficacy is about the same as with viral vectors but liposomes have fewer side-effects.

Others are also working on the idea. Megabios, a Californian biotechnology company, is one. Genzyme is now testing both viral and non-viral vectors, as is Transgene.

Some, including Transgene and Megabios's partner, Glaxo Wellcome, the UK pharmaceutical giant, think the non-viral approach can be taken further. The genetic material may be encased in a polymer, says Tony Phillips, worldwide director of biotechnology product development at Glaxo Wellcome.

That scientists are prepared to scrap several years' work on virus vectors is evidence that the experience of gene therapy in cystic fibrosis has been salutary.

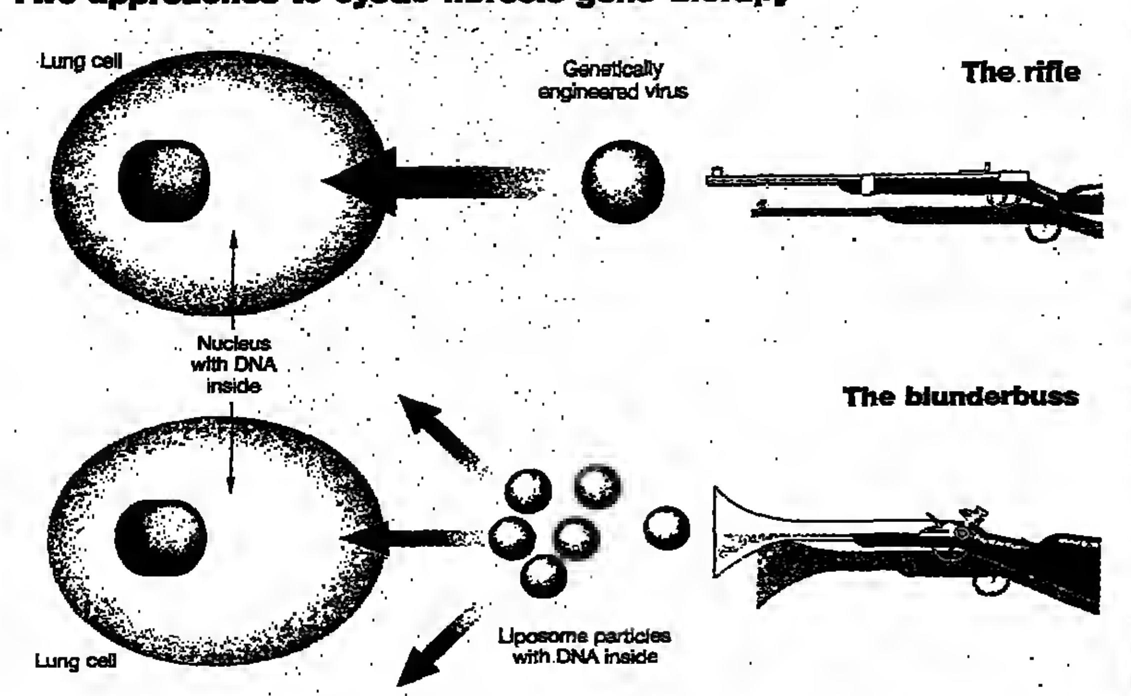
Understanding of the basic science has not led directly to treatments or cures. It has only provided another starting point from which to begin the trek from ideas to practical treatment.

As Geddes puts it: "No one believes we yet have the materials that will make it to the market. The next generation of materials will have had a lot more basic science in their designs and should be more efficient."

Many years of development lie ahead. Geddes expects preliminary results from the next round of research to be ready in the autumn of this year. Transgene is also edging towards trials that go beyond a handful of patients. Many others, such as Megabios, are still testing on animals. Its human trials will not start for another year or so.

The series on human genes continues next month with a look at schizophrenia.

Two approaches to cystic fibrosis gene therapy



Surround sound in the living room

George Cole reports on Holy Grail developments in home cinema

Consumer electronics companies are racing to develop what some see as the Holy Grail of the home entertainment market: a domestic surround-sound system that does not require additional loudspeakers.

The past few years have seen a rise in the sales of home entertainment systems which use a large-screen television and surround-sound system to convert a living room into a home cinema.

Most of these systems use a surround-sound system developed by Dolby Laboratories, based in San Francisco. The system, known as Dolby Pro-Logic, adds two extra sound channels to a conventional two-channel stereo soundtrack. The extra channels provide a central one for dialogue and another which recreates many of the sound effects heard in a cinema.

Dolby says that more than 17m of its surround-sound systems have been sold worldwide. More than 5,700 films on VHS tape carry Dolby surround-sound channels.

Anyone equipped with a Dolby Pro-Logic decoder and additional loudspeakers can hear the surround-sound effects at home. Hi-fi companies such as Pioneer, Kenwood, Harman, Technics and Yamaha market amplifiers with built-in Dolby Pro-Logic decoders.

These have proved popular with hi-fi buffs looking for better sound, but electronics companies are also keen to reach ordinary consumers. Companies such as Sony, Toshiba, Panasonic, Philips, Nokia and Hitachi now market televisions with built-in Dolby Pro-Logic decoders.

But Paul Ashmore, Nokia UK's commercial manager, notes that "customers are enthusiastic about surround-sound until they realise that they'll need to have several or more speakers dotted about their living room. The idea of a room full of wires puts people off the idea".

As a result, a number of systems which claim to offer surround-sound effects from a single pair of loudspeakers have been launched. Japanese company JVC has developed 3-D Phonic. This feeds a Dolby Pro-Logic sound signal into a digital signal processor (DSP) which tweaks the sound and adds special effects, including delay.

The result, says JVC, is that the listener is fooled into believing that he or she is also hearing sound from the side and rear of the room, even though there are only two front-facing speakers.

Sharp has developed a system called Virtual Sound, which also uses DSP circuitry to create the illusion of surround-sound. Philips has launched a similar system for its largest televisions.

Critics of these systems claim that the surround-sound effects are nowhere near as good as that from a system using five or more

Sharp system: surround sound illusion

loudspeakers. But their supporters say that consumers are prepared to settle for less if it means that their living room is not crowded with speakers.

Some industry observers believe that domestic surround-sound systems will come into their own when wireless speakers using infra-red technology become available. These systems will use a base transmitter which sends the sound signal over the air to the speakers. This will dispense with the need for speaker leads.

But developing infra-red speaker systems has not been easy. First, the sound signal may be cut off if someone walks between the transmitter and speakers. And Ashmore notes another difficulty: "Infra-red speakers require an independent power source, which means plugging them into a mains socket. So you basically replace one wiring problem with another."

ARTS

Sense and psychopathology in Berlin

Nigel Andrews reports on the winners, losers and attention-stealers at the film festival

The 1996 Berlin Film Festival honoured a movie that may be groaning under the weight of awards by year's end: *Sense And Sensibility*. Adding a Golden Bear to a Golden Globe (awarded in Hollywood last month to screenwriter and star Emma Thompson), Ang Lee's film had opened the festival to popular hurrahs. The award makes him the first director to win two Golden Bears: in 1993 his *The Wedding Banquet* took the prize for best film.

The Silver Bear for best director went jointly to the Chinese Yim Ho for his violent love story *The Sun Has Ears* and to Richard Loncraine of Britain for his *Richard III* updated to the first world war. Sean Penn won the Silver Bear for best actor for his role in *Dead Man Walking*, a US Death Row drama directed by Tim Robbins. The Silver Bear for best actress went to France's Anouk Grinberg for her role in the comedy *Mon Homme*, directed by Bertrand Blier.

But the attention stealer to the final days of the festival was Yoichi Higashi's *Village Of Dreams* from Japan: an entrancing tale of rural childhood, recollected in flashback by two picture-book authors who are also identical twins.

Based on two real artist-writers, these grown-up siblings are played by actors in a brief prologue and epilogue. In between, the screen opens up to make magic from their memories. From school pranks to fishing adventures, from truancy to tonsilitis, their gawky, stalk-like younger selves – played by twin boys who could each understudy ET – go through every pre-teen rite of passage without once making the diurnal seem dull.

Higashi's wry, sunlit gaze finds rapture and comedy in the ordinary. And on the few occasions he invokes the extraordinary – like the three witches who comment chorus-like from their perches in a giant tree – there is the same sense of deadpan pantheism: of a vision that refuses to segregate the holy from the human.

Other films strove to match this one's easy transcendence; none succeeded. Britain's *Mary Reilly* is a minor gothic delirium from director Stephen Frears and screenwriter Christopher Hampton. Adapting Valerie Martin's novel about the home life of Dr Jekyll, they push servant girl Julia Roberts (Irish accent) into the multiplying arms of Dr J and Mr Hyde, both played, with wig and octave changes, by John Malkovich.

The dark lighting helps to camouflage sparsely-dressed sets without conjuring compensatory frissons. *Mary Reilly* comes across as another of today's earnest bids to psychopathologise yesterday's literary fables: an enterprise in which dullness, surely, does not have to be part of the agenda.

He Ping's *Sun Valley* from China was a bolder vision of vulnerable womanhood versus man the tyrant. In a landscape worthy of *Shane*, an old homesteader and mystery swordsman exercise, and finally exorcise, their rivalry over a girl. The plot takes forever, probably because Ping the imagist keeps pushing aside Ping the storyteller. Rolling plains and thundering horses enthral the eye, making the sword-clashing finale and identity-unmaskings seem an afterthought.

The festival's sidebars produced no late revelations, though Karl Francis's *Streetlife* is a gritty social drama in the Ken Loach vein about a single mother (Helen McCrory) who kills her newborn baby. And Sally Field in John Schlesinger's neatly crafted thriller *Eye For An Eye* plays a mother with a different problem: how to kill with impunity the acquitted-on-a-technicality thug who raped and murdered her daughter.

Before the screening Miss Field accepted a jewel-encrusted award for being a longtime "Friend of the Berlin Festival". The last time we saw her here was in the famous year of liberation, when she danced for the cameras atop the Wall. This year at Berlin dancing came down to street level. Despite the icy weather, everyone was happy to celebrate a festival full of down-to-earth, non-divisive international riches.

'View of a Town', 1935, by L.S. Lowry: he holds his own in serious critical company as an artist, not as a local oddity

Lowry at large in Salford

But theme-park treatment is not appropriate, argues **William Packer**

The news that the city of Salford is to receive £64m from the National Lottery, and as much again in matching funds, in order to build a new cultural complex by the turn of the millennium, arouses mixed feelings.

Of course it should have a brand-new cultural centre if it wants one, even if it is to include a Virtual Reality Centre, whatever that is, to go with the art gallery and two new theatres that are proposed.

To we penny-pinching British, mean-spirited and suspicious of the arts as ever, £64m may seem a lot; but in truth it is not so much more than the annual budgets for the arts of many cities of France or Germany. We still make the economy the excuse, but the economy has been the excuse for ever, and even now, when we could be cheering, the windfall of the lottery arouses all the old resentments and suspicions. We are a dog-in-the-manger people. We should be ashamed of ourselves.

So, good luck to Salford, at least in principle. Only when I come to the Lowry connection do I begin to have my doubts. Of course, why shouldn't the city honour a favoured and famous artist son? There are many precedents, even in this country, of the artist remembered in the place where he lived and worked – Stanley Spencer at Cookham, G.F. Watts at Compton, William Morris at Kelmscot, Alfred Munnings at Dedham, Duncan Grant and Vanessa Bell at Charleston, Gainsborough at Sudbury.

The answer is simply one of scale. Nowhere else is it proposed to give an artist the theme-park treatment – The Stanley Spencer Cookham Resurrection Experience as it were – with a special auditorium and funny glasses for all those visitors too idle or unimaginative to walk round the corner to see the village churchyard for themselves. The connection between an artist and his subject is obviously important to any deeper understanding of both him and it, and of course Salford should show its Lowrys, all 350 of them, in Salford.

But it is his work as an artist that the city should be celebrating, not his standing as a local character and celebrity, *cantankerous, misanthropic* stage-northerner that he appeared to be.

To put his work at the *centre of a* £127m state-of-the-art cultural complex named after him is all very well, *but* it does begin to *suggest* to the innocent visitor that here is an artist *of general and extraordinary importance*, the one and only, so far as Salford is concerned.

If the work were *simply properly* shown in a decent gallery, the visitor might still be free to come to his own *conclusions*. But to set Lowry's work into a National Industrial Virtual Reality Centre, with head-sets pro*grammed to project* the *visitor* into those weird and personal cityscapes, is something else. It is to turn it from art into *mere* entertainment. It is more than a betrayal of Lowry: it is *an ignorant betrayal of art itself.* The centre's director, one Bob Stone, is quoted as saying he hopes to provide an "edutainmant" experience. Poor Lowry: poor us.

The point about Lowry is that he was neither the great artist of his apologists, nor the pathetic failure of his fiercer detractors. Rather more to that point, he was not the naive and innocent primitive of his popular reputation.

He had an orthodox if intermittent training at Manchester College of Art, where he came *under* the *particular* influence of Adolphe Valette – who brought a delicate late-Impressionist manner to industrial and urban subjects – and later at Salford School of Art. His work was never anything but sophisticated, quite as much in its handling as in its formal complexity, for all the increasingly mannered quality of the figures.

Even in that respect, he stands in a long tradition of the social grotesque, in northern painting especially, from Breughel, Teniers and Avercamp to *Van Gogh and the later expression*ists, such as Kirchner, Meidner, Grosz and Beckmann.

He may not have been as good, let alone as significant, as such artists, but he can hold his own in serious critical company. He deserves neither the false eminence of grandiose schemes ill-conceived in his honour, nor the mockery of being turned into a sideshow. He deserves only to be shown straight-forwardly and taken seriously at his proper level.

In short, he deserves better.

Concerts/**David Murray**

Kurtág celebrated

György Kurtág, a unique master-composer – the London Sinfonietta celebrated him with an intensive mini-festival last weekend – is 70 now, some three years younger than his fellow Hungarian György Ligeti. Both were born in what are now Romanian towns, and moved to Budapest for advanced musical studies (but ideologically restricted, given the political climate); only in the late 1950s did they find opportunities to discover new western music, and thereby somehow themselves.

Ligeti, however, has cut a strikingly original and cosmopolitan figure since the early 1960s, regularly exhibited by the big orchestras for whom he composes much of his music. Kurtág is a very private man who scarcely ever writes for a "normal" band; he achieved *sudden fame* only at the beginning of the 1980s, with his *Messages of the Late Miss R.V. Troussova*. That is a "confessional" song-cycle, scarifyingly erotic, in three parts on 31 brief poems (like Schoenberg's *Pierrot Lunaire*) by the Russian poet Rimma Dalos, set for virtuoso soprano and a bizarre ensemble: just four strings and three winds, but also keyboards of several kinds, a *crazy* variety of percussion, and a twanging Hungarian cimbalom.

Nobody who heard Kurtág's favourite singer, Adrienne Csengery, deliver it here a dozen or 15 years ago (at the Roundhouse, I think) is likely to forget the impression it made. Its range and impact were extraordinary. Tant instrumental inventions, intense vocal outbursts in exacerbated lines, and some impacted songs that took less than half a minute; uncannily vivid representations of raw sweet-and-sour feeling from Kurtág's ansamble too (all quite new, owing nothing to any other composer), and a pervasive sense of grotty, unromanticised reality, and yet an incisive overall shape.

Conducted last Saturday with unfailing insight by Markus Stenz, the Sinfonietta with the soprano Rosemary Hardy (*plucky*, accurate, dramatically alert) convinced us again that *Troussova* is among the few *unarguable masterpieces of the* past 20 years. It drew a goodish audience, but there should have been more of us – I thought the South Bank had let the concert, and the whole *mini-festival*, go dimly underpublicised when other European capitals have made high-profile events of their own recent Kurtág surveys. In fact Friday's concerts were relegated to the little Purcell Room, whilst the Queen Elizabeth Hall was given over to Iranian folk music. "World Music" is what the South Bank favours nowadays.

Still, the programmes were scrupulously chosen. Friday brought the stern, eloquent *Sayings of Péter Bornemisza*, a crucial turning-point for Kurtág in the mid-1960s – we have had to discover him backwards from his blazing *Troussova* – and then his 2nd Quartet ("12 Microludes", from 1978), the 3rd (an "Officium Breve" in memory of his teacher Szervánszky, 1989), some smaller newish pieces and his 1992 *Lebenslauf*, a shimmering, tantalising experiment for a pair of basset-horns and two pianos tuned a quarter-tone apart: queasy, but wryly appealing.

We ought to have heard Kurtág and his wife Marta playing some of *Játékok* ("Toys"), his bracingly unconventional studies a step beyond Bartók's *Mikrokosmos* – for budding pianists; but they have been ill, and had to stay at home. Though Ronald Cavaye and Valerja Szervánszky made faithful substitutes, their *Játékok* selections sounded more dutiful than exuberant. Typically, they eschewed Kurtág's hilarious send-up of the Tchaikovsky piano concerto, for flat palms: BASH, *bash*, bash! BASH, *bash*, bash...

Saturday was altogether stronger. After the miraculous *Troussova* cycle, the Hungarian bass-baritone István Gáti delivered Kurtág's four Pilinszky songs (1975), grimly felt, with formidable authority; and then we had two London premieres. The Double Concerto, for plain piano and complicated cello (1990), has an unnervingly sinister, disturbing first movement and a suave second one that provides no reassurance whatever.

In *Grabstein für Stephon* (1989) the solo guitarist Steven Smith fingered open-string chords in a timeless brown study, whilst the Sinfonietta wove fantasies around them from the depths of the hall. Both these pieces count as "spatial music", spread around the whole public arena. As usual, Kurtág seems to bring that effect off more pointfully and simply than anybody else. The *extended* sound-dimensions are not flashy but perfectly calculated, as in Berlioz, for grave echoes and soft, troubled commentary. Hardly any "world music" is as precisely luminous, twitchy, weary and sharply penetrating as Kurtág's.

Theatre/**Sarah Hemming**

Krays meet the Blues Brothers

Gulp Fiction, the first show in Stratford East's spring *season, comes* described as a "farce", which is something of a contravention of the trades description act. Granted, Trish Cooke's script has the *potential* for farce, but that is about as far as it goes.

Tha show opens as Reggie and Ronnie Diss, twin brothers and self-styled scourges of the East End, are released from prison after seven years *detention* for a "misunderstanding" in a bank. Whila the brothers' names suggest more than e passing resemblance to the East End's most notorious siblings, their behaviour on release is more like that of the Blues Brothers, their general conduct has echoes of the Mitchell brethren on TV's *EastEnders*, and basically they offer an amalgam of roguish relatives.

At first they flounce about the stage, dishing out hopelessly feckless insults and communing in that special drivel reserved for villainous East End brothers ("I luv you bruv. I'd do anyfing for you"). But soon a problem *emerges*: *Ronnie* is in love with Reggie's girl. Since this defies the East End convicts' code of conduct (Never mess with your brother's girl; love your old mum *above all others*) the stage looks set for a showdown. And since all the characters (Reggie, *Ronnie*, Reggie's girl, Reggie and Ronnia's Mum, Mum's long lost lover) are played by the same two actors – *Robbie Gee and Eddie Nestor – and* all are headed for the Duck and Dive pub, it also looks as if we are in for a wonderful farcical climax, with costume changes and banging doors galore.

But this never really amounts to *anything. Instead* most of the second act is taken up with Gee and Nestor in a new set of roles as a toe-curling pair of *pub entertainers*, and the opportunity for crazed farce is lost. Indeed the whole evening is really *simply a* vehicle for Gee and Nestor, two immensely popular comic black actors from the black revue group The Posse, allowing them to sing pastiche songs, tell (deliberately) bad jokes and mince about in drag.

This does not seem to matter much. *The audience* loves them, they give irresistible, twinkling performances, and everyone has a whale of a time. *Nestor in particular makes* a wonderful, plump, Caribbean mother and has some juicy one-liners that bring the house down (*"I took him for a gentleman, but he was a Jamaican"*). The whola evening is good-natured, deliberately *daft silly fun.* But anyona looking for a satisfying experience would do well to leave all hopes of structure, script, subtlety, development or discipline at home.

Gulp Fiction continnes et the Theatre Royal, Stratford East (0181-534 0310) to March 9.

INTERNATIONAL ARTS GUIDE

■ BERLIN

CONCERT
Staatsoper unter den Linden
Tel: 49-30-2082861
● Alceste: by Gluck. Concert performance by the Freiburger Barockorchester and the RIAS-Kammerchor with conductor Thomas Hengelbrock. Soloists include Suzanne Murphy, Richard Zeller and Jeffrey Francis; 9.30pm; Mar 1.
OPERA
Komische Oper Tel: 49-30-202600
● Giustino: by Handel. Conducted by Charles Farncombe and performed by the Komische Oper. Soloists include Rabsilber, Grabowski, Korovina, Köhler and Conrad; 7pm; Feb.28

■ BONN

OPERA
Oper der Stadt Bonn
Tel: 49-228-7281
● Queen of Spades: by Tchaikovsky. Conducted by Alexander Lazarev and performed by the Oper Bonn. Soloists include S. Spano, L. Schewtchenko, D. Jugovic, R. Naczinski, P. Hunka and A. Steblianko; 8pm; Mar 1

■ CAPE TOWN

JAZZ & BLUES
Nico Theatre Complex
Tel: 27-21-215470
● Jessica Williams: *performance* by the jazz pianist. Part of the International Jazz Festival; 7.30pm; Feb 29

■ COLOGNE

OPERA
Opernhaus Tel: 49-221-2218240
● Hänsel und Gretel: by Humperdinck. Conducted by *Hans-E. Zimmer and performed* by the Oper Köln. Soloists include Michael Volle, Kathleen McCalla, Ingrid Bartz, Birgit Beer, Alexander Spemann and Rhonda Ingle; 7pm; Feb 28

■ HELSINKI

OPERA
Opera House Tel: 358-0-403021
● The Last Temptations: by Kokkonen. Conducted by Kari Tikka and performed by the Helsinki Opera. Soloists include Martti Wallén, Satu Vihavainen, Pertti Mäkelä and Hellevi Seiro; 7pm; Mar 1

■ LONDON

CONCERT
Wigmore Hall Tel: 44-171-9352141
● Anna Kravtcenko: the pianist performs Liszt's Sonata in B minor and Hungarian Rhapsody No.12, and R. Schumann's Fantasiestücke, Op.12; 7.30pm; Feb 29
EXHIBITION
The Hayward Gallery
Tel: 44-171-9604242
● Symbols for '51: the 1951 Festival of Britain, held on the site of the South Bank, commissioned artists, sculptors and designers to create new works to illuminate the festival's dual themes of the 'People' and 'Land' of Britain. Eduardo Paolozzi, Barbara Hapworth, Henry Moore, Reg Butler, Jacob Epstein and Lynn Chadwick were among the artists who produced work for the site, creating diverse pieces on a monumental scale. The most abiding of these landmarks was the Skylon by Philip Powell and Hidalgo Moya. The display also pays homage to the Festival of Britain's lasting legacy, the Royal Festival Hall; from Mar 2 to Apr 21
OPERA
Royal Opera House - Covent Garden Tel: 44-171-2129234
● Semele: by Handel. Conducted by Charles Mackerras and performed by The Royal Opera. Soloists include Ruth Ann Swenson, Judith Howarth, Felicity Palmer and Michael Chance; 7pm; Mar 1, 4

■ MARSEILLE

OPERA
Opéra de Marseille
Tel: 33-91 55 00 70
● Radamisto: by Handel. Conducted by Steuart Bedford and performed by the Opéra de Marseille; 8.30pm; Feb 29; Mar 2

■ MONTE CARLO

OPERA
Opéra de Monte Carlo
Tel: 33-93 50 69 31
● Chérubin: by Massenet. Conducted by Patrick Fournillier and performed by the Opéra de Monte-Carlo. Soloists include Theodora Hanslowe, Louis Otey, Laurence Janot and Franck Ferrari; 8.30pm; Mar 1, 3 (3pm), 5

■ NEW YORK

CONCERT
Avery Fisher Hall
Tel: 1-212-875-5030
● New York Philharmonic: with conductor Leonard Slatkin and pianist Jeffrey Siegel perform works by Bernstein, Gershwin, Chadwick and Ives/Schuller; 8pm; Feb 29; Mar 1, 2, 5
Carnegie Hall Tel: 1-212-247-7800
● Symphony No.2: by Mahler. Conducted by Seiji Ozawa and performed by the Wiener Philharmoniker and the Arnold Schoenberg Choir. Soloists include soprano Heidi Grant Murphy and mezzo-soprano Florence Quivar; 8pm; Feb 29
OPERA
New York State Theater
Tel: 1-212-875-5570
● La Traviata: by Verdi. Conducted by Robert Duerr and peromed by the New York City Opera. Soloists include Oksana Krovytska, Dianne Heldman, Julie Anne Wolf, Don Bernardini, Jeffrey Kneebone and Joel Sorensen; 8pm; Mar 1

■ PARIS

CONCERT
Salle Pleyel Tel: 33-1 45 61 53 00
● Orchestre Philharmonique de Radio France: with conductor Alain Lombard and the Choeur de Radio France perform Berlioz's Roméo et Juliette. Soloists include mezzo-soprano Béatrice Uria-Monzon, tenor Guy Gabelle and baritone Lionel Sarrazin; 8pm; Mar 1
OPERA
Théâtre National de l'Opéra - Opéra Garnier
Tel: 33-1 42 66 50 22
● Don Giovanni: by Mozart. Conducted by Sir Georg Solti and performed by the Opéra National de Paris. Soloists include Michele Pertusi, Mario Luperi, Renée Fleming and Ferruccio Furlanetto; 7.30pm; Mar 4

■ SAN FRANCISCO

CONCERT
Louise M. Davies Symphony Hall
Tel: 1-415-864-6000
● San Francisco Symphony: with conductor Michael Tilson Thomas perform works by Harrison, Milhaud and Berlioz; 2pm; Feb 29; Mar 1 (8pm), 2 (8pm), 3

■ VALENCIA

CONCERT
Palau de la Música i Congressos
Tel: 34-6-3375020
● Orquesta de Valencia: with conductor Ole Kristian Ruud and pianist Andrei Gavrilov perform works by Rachmaninov, Cano and Schubert; 8.15pm; Mar 1

■ VIENNA

CONCERT
Konzerthaus Tel: 43-1-7121211
● Wiener Klaviertrio: perform Beethoven's Piano Trio in E flat major, Op.70 No.2 and Piano Trio in D major, Op.70 No.1 (Geistertrio); 0.30pm; Feb 28
Musikverein Tel: 43-1-5058681
● Wiener Symphoniker: with conductor Vladimir Fedoseyev and pianist Oleg Maisenberg perform works by Stravinsky, Saint-Saëns and Gounod; 7.30pm; Feb 28, 29
Wiener Staatsoper
Tel: 43-1-514442960
● Tosca: by Puccini. Conducted by Stefan Soltesz and performed by the Wiener Staatsoper and the Wiener Sängerknaben. Soloists include Casolla, Halmai, Bohta, Fondary and Gati; 7.30pm; Feb 28

■ WASHINGTON

CONCERT
Concert Hall Tel: 1-202-467 4600
● National Symphony Orchestra: with conductor Elizabeth Schulze and pianist Christopher O'Riley perform works by Blacker, Rachmaninov, Still and Sibelius; 8.30pm; Feb 29

■ ZURICH

CONCERT
Tonhalle Tel: 41-1-2063434
● Festival Strings Lucerne: with conductor Rudolf Baumgartner and pianist Eugene Istomin perform works by Mozart and Vogel; 7.30pm; Feb 28
DANCE
Opernhaus Zürich
Tel: 41-1-268 6666
● Das Zürcher Ballett: perform the choreographies White Streams by Ed Wubbe to music by Pärt, Die Moldau by Bienert to music by Smetana, and Skating Rink by Jean Börlin to music by Honegger; 7.30pm; Feb 28

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Martin Wolf

A vision for world trade

Abolition of all barriers to trade at the border, by no later than 2020, should be on the agenda at the meeting of world trade ministers later this year in Singapore

This year marks the 150th anniversary of the unilateral repeal of the UK's protectionist laws against imports of cheap corn. The UK liberalised unilaterally, because it had come to accept Adam Smith's dictum that free trade is in a country's interests, regardless of the policies of others.

The UK's successor as dominant capitalist power has, bowever, never accepted this argument. Until the second world war, the US was strongly protectionist and has always remained attached to the mercantilist notion of reciprocity – tbe view tbat imports are the price paid for exports.

That notion is now gathering support, with the rapid spread of preferential trading arrangements based on reciprocal negotiations – many of tbem involving regional groupings. The problem with sucb arrangements is that tbey threaten to erect new barriers to trade liberalisation unless they can be extended globally.

Yet reciprocity can belp spread liberalisation, by harnessing the interest of exporters to tbe wagoo of freer trade. This was true in the 19tb century, wben a series of bilateral trade treaties establisbed a liberal trade regime in Europe that lasted until the first world war. What turned a series of bilateral treaties into a continent-wide trading system was the most-favoured nation principle, the obligation to grant all partners the same treatment as that offered to tbe most favoured among tbem.

Since 1947, reciprocal bargaining has reduced average tariffs on the manufactured goods of industrial countries from more than 40 per cent to 3.9 per ceot. This reduction in harriers to trade has, in turn, belped volumes of manufactured exports to increase 26 times since 1950, while output of manufactured goods has risen more than sevenfold. As tbe chart shows, the growth of exports in eacb successive post-war economic cycle, has led that of output.

Unfortunately, while industrial countries pursued reciprocal liberalisation of trade in manufactures, the great majority of developing countries remained unilateralists – unilateral protectionists, that is. Then, in the 1980s and 1990s, a wave of liberalisation washed over the second and third world countries, as ever more realised bow much better the more open economies had performed. More than 60 developing countries announced unilateral liberalisations during the seven years of the Uruguay Round of trada negotiations, completed in 1993. They now include China, India, Indonesia, Brazil and Russia – countries tbat account for roughly half the world's population.

The wave of liberalisation sweeping the world beyond the industrial countries made the Uruguay Round the most ambitious and comprehensive trade negotiations ever. The question is bow to follow it op. The US is inward-looking, the European Union mired in higb unemployment and Japan no more suited to active leadership than hitherto.

The natural desire of exhausted negotiators is to attempt as little new as possible. This is particularly so since the Uruguay Round left a substantial agenda behind it, including several negotiations to liberalise trade in services (the most important, on basic telecommunications, is to he completed by the end of April of this year). Moreover, across-the-board negotiations on agriculture and services are required by the end of the decade.

Nevertheless, more is already expected of the World Trade Organisation. Reconciling trading rules to enviroomental concerns is already on the official agenda. Powerful pressures have emerged to do the same for worries about excessively low labour standards in poor countries. On the horizon is the desire to discuss international investment, competition policy and eveo corruption.

Yet this complex agenda demands too much and gives too little. It demands too much because it requires s community of states to reach consensus over issues on which there is bound to be fierce dissent. And it gives too little, hecause it lacks the ability to generate the excitement now produced by free trade arrangements – most of which are regional trade groupings.

With around 100 altogether, sucb preferential trading arrangements are spreading like a cancer, making the most favoured nation principle largely irrelevant. The results are potentially serious since their effect is to turn discrimination from the exception in world trade to tha norm. This creates arbitrary, sometimes bitterly resented divisions between chosen sheep and rejected goats.

Yet the addiction to preferential free trade might ba turned to good account if it could be shifted in a global direction. Surprisingly perhaps, hope comes from the arrangement that might appear the most dangerous – the Asia Pacific Economic Co-operation forum (Apec). Members of Apec generate more than half world trade (exclnding trade within the EU) and a still higher share of world output. If they were to focus their policies on trade with each other, the World Trade Organisation would be deprived of almost all relevance.

Yet the very boldness of Apec's commitment to the objective of free trade by 2020 is encouraging, as is its apparent plan to rely on unilateral, non-discriminatory liberalisation of a kind already well-established in many Apec members. As Mr Renato Ruggiero, director-general of the World Trade Organisation, argues, Apec members ought to find it possible to match at the global level whatever they are willing to attempt at a regional one.

If China, Japan and the US are willing to commit themselves to free trade with each other, particularly on a most favoured nation basis, why they should not be able to do so within the confines of a global arrangement? That should be still easier because thsre would then be fewer so-called free riders on their liberalisation.

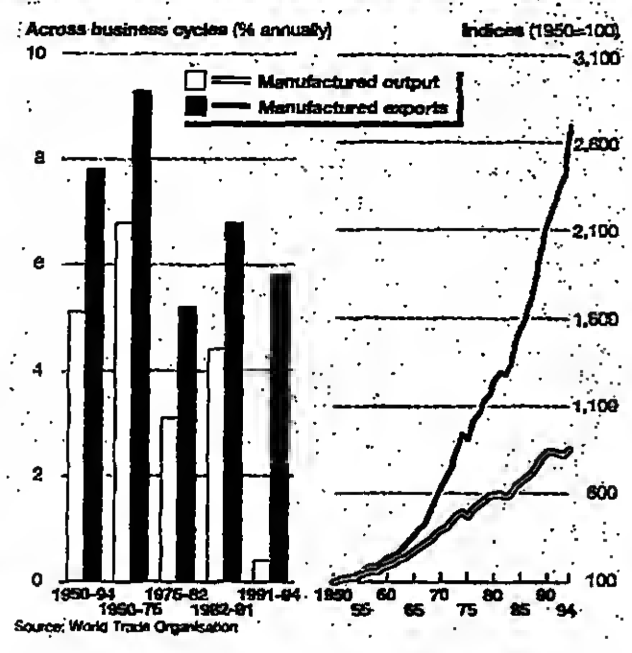
At a conference in Brisbane last week, organised by the Australian government on future directions of the trading system, I discovered that representatives of some countries were willing to entertain something like Apec's plan for the world as a whole. The conference was attended by trade policymakers from 15 Asian, European and Latin American countries, including the EU. But too much should not be made of this – the US was absent, pleading in excuse the poverty of its self-induced budgetary crisis.

Abolition of all barriers to trade at the border, by no later than 2020, would be an exciting long-term goal for tha World Trade Organisation. Such an objective could be on the agenda at the first of a planned series of biennial meetings of the world's trade ministers, scheduled to take place in Singapore at the end of this year.

The notion of a free trada arrangemant could even be pressed into service, this time open to any country prepared to make a commitment to free trade with other members. Unilateralist liberalisers could offer free trade even to non-members, if they wished, while mercantilists would offer free trade only to those prepared to reciprocate in full. Meanwhile, anyone thinking of staying outside would have to fear the consequences of suffering discrimination by almost everyone. That should be enough to persuade most countries to participate.

So let the trading nations be bold. Let them set as one of their goals for the Singapore meeting a plan for the largest of all free trade arrangements – one open to the world.

Growth of world output and exports of manufactures



Source: World Trade Organisation

Personal View · Pamela Meadows

When growth fails the unemployed

Providing jobs for those who want them is likely to prove costly for those in work

It is becoming increasingly clear that economic growth will not automatically lead to much lower levels of unemployment. Over the past 20 years output in the UK economy has grown by 45 per cent, while the number of people with jobs has grown by just 2 per cent. The same picture can be seen elsewhere in Europe.

Growth has led to improved standards of living for most of those in work, whose pay increases have more than compensated for inflation. The main exception is in the lowest paid occupations, where real wages have remained static at best. There have also been reductions in taxes on incomes, leaving more of gross earnings available to spend.

The existing workforce has thus largely absorbed the proceeds of growth, leaving limited scope to provide jobs for those currently not working but wishing to do so. These include not only the 2m people who describe themselves as unemployed, but also many of the 1m lone parents living on state benefits and the 1.7m people receiving long-term sickness and disability benefits.

If those without jobs who would prefer to work are to be employed, those who have jobs must pay the cost in one of three ways: as employees, taxpayers or consumers.

As employees, they can pay by sharing their work with the unemployed – in other words, spreading the pay bill across more people. This does not mean that employers should drive wages down to south-east Asian levels. It means restraint in pay levels from the board-room downwards – particularly in the top half of the income distribution where earnings growth has been the greatest. Between 1978 and 1992 the earnings of those in the middle of the pay distribution increased by 37 per cent more than the rate of inflation, and those at the top tenth by 50 per cent. Over the same period the real earnings of those in the bottom tenth have been static.

At present this approach seems unlikely to be a real possibility. If anything the climate is moving the other way, as can be seen in the recent speech by Mr Adair Turner, director-general of the Confederation of British Industry, in which he argued that pay increases above the rate of inflation might be justified by productivity and profitability.

As taxpayers, those in work can help those without jobs if the state accepts the responsibility of being employer of last resort. In the Scandinavian model this involves directly employing people as an alternative to unemployment. Alternatives include schemes providing work on tasks such as improving the environment that are desirable but unlikely to be profitable unless paid for by the state – thus they do not crowd out conventional jobs. And subsidies can be paid to employers to recruit or retain additional staff.

Such arrangements ensure that the income, personal skills and self-respect associated with a job are available to people who would otherwise be idle and dependent on state benefits. But they do not come cheap.

The direct costs are higher than simply paying unemployment benefit, since it is more expensive to employ people than to sustain them in idleness. In some cases subsidies end up being paid for jobs that would have existed anyway.

But there are also indirect costs. Some participants find that the job satisfaction of clearing canals or repairing dry stone walls is greater than that available in more conventional jobs – and therefore reduce their efforts to find jobs in the open labour market.

The third option is that consumers should pay more so that jobs can be created – especially in services that are not subject to international competition. This is sometimes regarded as the Japanese model, but it is adopted elsewhere.

For example, railway stations might again be staffed, particularly at night. Passengers would have to pay more, but there would be a higher standard of service and a greater sense of security. And shops might revert to offering a delivery service.

European societies have become more competitive and efficient, and that is welcome. However, there have been some less desirable side-effects, not least the increasing marginalisation of those without jobs. The challenge now is whether to allow this to continue, or whether the prosperous majority is prepared to share that prosperity with less fortunate citizens.

If we do share that prosperity, there will be a cost. But if we do not we may eventually end up paying the costs of social dislocation in higher welfare bills, rising levels of crime and other forms of social malaise.

> One option is that consumers should pay more so jobs can be created – especially in services that are not subject to international competition

The author is director of the Policy Studies Institute, the UK thinktank, and adviser to the Joseph Rowntree Foundation on its new Welfare and Work research programme

LETTERS TO THE EDITOR

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We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'). e.mail: letters.editor@ft.com Translation may be available for letters written in the main international languages.

It is not the Bank of England's role to speculate on the direction that interest rates will take

From Mr Mervyn King.

Sir, I welcome Professor Ken Wallis' interest (Letters, February 21) in comparing the Bank's inflation projections with those of outside forecasters. As he points out, the Bank makes its projections oo the assumption of unchanged official interest rates over the following two years. This is not because we believe that interest rates will remain unchanged over that period, but because accountability requires that we are explicit about the assumptions we make. All forecasts are conditional upon some such assumption.

Prof Wallis appears to think that the Bank should make "unconditional" projections by making its own best guess about future interest rates. But it is not the Bank's role to speculate publicly about the level of interest rates which the chancellor of the exchequer *will* set; it is to advise on the rate that he *should* set.

That is why our projection is conditional upon an explicit assumption about, not a forecast of, interest rates. The assumption that current rates are maintained makes it possible to assess the direction in which inflation is likely to move in the absence of a policy change, although it is certainly not the only possible assumption that could sensibly be made.

More important, however, is that the value of any forecasting exercise lies not in the numbers which emerge, but in an appraisal of the factors which are most likely to affect the course of inflation at the current juncture, and the risks and uncertainties involved both in changing policy and in leaving it unchanged. I am sure, therefore, that Prof Wallis will welcome the fact that the Bank is explicit not only about its assumptions, but also about the range of uncertainty surrounding its projections.

Mervyn King,
executive director,
Bank of England,
London EC2R 8AH, UK

Ford ad is also unfair to Poles

From Mr Mariusz Sumlinski.

Sir, I was appalled at the treatment that the non-white workers received from Ford as described in your article "Ford apologises to black workers over advertising" (February 21).

As a Pole I was equally appalled at the presumption about racial attitudes in Poland as implied by Ford saying that "the modification was made because the UK version obviously did not portray the ethnic mix in Poland". Do they think that Poles will not buy a product unless it was produced by a white man/woman? If this is Ford's thinking it had better coma up with some tangible evidence.

The eastern European countries are frequently criticised for displaying not quite a friendly attitude towards foreign investors. I think it would be wise for these countries to make sure that while becoming more investor friendly they prevent the bigotry described in your article. Ford owes an apology not only to its workers but also to Polish people whom it is implicitly portraying as racists while trying to concoct an argument justifying its deplorable action.

Mariusz Sumlinski
434 Little Quarry Rd.
Gaithersburg, MD 20878, US

Squeeze no longer required in Russia

From Mr Jochen Wermuth.

Sir, I was misquoted in your article "Camdessus visit raises Russia's bopes of $9bn loan" (February 2). I did not say: "Unlike other IMF programmes, the Russian programme is designed to accommodate a certain amoont of pre-election spending."

In fact, the statement made, and confirmed by your staff, was: "The 1996 IMF programme is different from earlier Russian IMF programmes where a significant amount of fiscal tightening was thought necessary in the first half of the year. In 1996, thanks to the progress Russia has already made, a further severe squeeze early on in the programme is no longer necessary."

Furthermore, I pointed out that all presidential decrees signed so far must be accommodated by the 1996 budget law's ceilings for bodget expenditure and the budget deficit. Otherwise they would be illegal.

Jochen Wermuth,
head, economic expert group,
Ministry of Finance of the Russian Federation,
Ilynka 9,
Moscow,
Russia

No proxy for this mission statement

From Ms Claire Barnes.

Sir, Lucy Kellaway rightly highlights the irritation caused by grandiose corporate mission statements unmatched by service (Management: "Why success will remain a secret", February 19). Invesco claims in its 1994 annual report to "provide the highest quality services to clients", and "enahle clients to achieve their investment needs and objective in the complex business of global investing". (Note to grandiose companies: condescension intensifies aggravation.)

The Thai Asia Fund used to have a monthly report to investors among the clearest and most concise of the genre, until Invesco took over its management. Since then shareholder communication has been lamentable, which appears short-sighted when the management is under attack. Having learned of the first bid too late for action, I've promised my proxy to the aggressor on principle.

Claire Barnes,
QED Investments,
Bangalore, India

Geography is only part of the question

From Mr Dominic Gee.

Sir, If geography were the problem then the combination of telecommunications, computing power and discriminating consumers would be enough ("The death of geography", February 22). It is not. The management approach must change and oeither of the three factors cited by Peter Martin is enough. The only way to tell if the company/customer relationship is profoundly changed is to see if the service is improved and if tha work is different.

My guess is that the customer and the employee experience is not much different. Why customers are calling is not likely to be different and what the employees are doing is not different. . .because of the emphasis on standardisation, control, and compliance.

It is necessary for management to change profoundly for there to be a profound change in the company-customer relationship.

Dominic Gee
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هكذا من الأصل

COMMENT & ANALYSIS

FINANCIAL TIMES
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Tuesday February 27 1996

Tough talking over Turkey

The political stalemate in Turkey continues. The collapse at the weekend of coalition talks between the conservative Motherland party and the Islamic Refah party has condemned the country to further uncertainty. Now Mr Mesut Yilmaz, the Motherland leader, is back in talks with Mrs Tansu Çiller, the acting prime minister and leader of the rival True Path party, to see if they can form a broad conservative coalition.

The Istanbul stock exchange welcomed the news with a sharp spurt in share prices, but the prospects of a deal between two bitter personal rivals remain uncertain.

Even if they can reach agreement, including on the disputed question of who should be prime minister first, such a coalition may well be unstable and short-lived.

Two things militate in favour of a deal, however. One is that President Demirel has warned members of parliament that failure to form a government now would almost certainly mean new elections: very few of the newly-elected members will want to go through the expensive exercise of campaigning again so soon.

The second factor is that Mr Bulent Ecevit, leader of the Democratic Left party, has offered his support and good offices to cobble together the coalition. He remains a respected figure, and could be a useful kingmaker.

The failure of Mr Yilmaz's attempt to form a coalition with Refah will be a huge relief to most members of the Turkish business community. They feared that to have an Islamic party playing a leading role in government would frighten away most of the foreign investors they hope to attract in the new customs union with the European Union.

Yet the absence of Refah from government, after winning the largest number of votes in the December elections, could also be a factor for instability. The party has gained its popularity precisely because it has presented itself as an outsider, untainted by the corruption and incompetence of the political establishment.

It would have been no bad thing to test the party's good faith and professed moderation within a ruling coalition. If a new coalition of the right proves to be unstable, it will only fuel support for Refah amongst the rapidly growing urban proletariat.

The absence of a proper government in Turkey has also undoubtedly aggravated tensions in the region, with the renewed outbreak of hostilities with Greece over uninhabited islands in the Aegean. The need for Mrs Çiller and Mr Yilmaz to bury their personal differences is therefore urgent, not only for Turkey, but for Europe as a whole.

It is certainly in the interests of neither conservative party leader that new elections be called, if they simply lead to an even stronger showing for the Islamic party.

A cut above

Other cartels may come and go - but diamond cartels are forever. Or so De Beers, the South African group which has organised the cartel for 60 years, would like you to conclude from its recent rapprochement with the Russian government.

Until last week, De Beers had been claiming that it would rather see the Russians leave the cartel than put up with the continued unruly behaviour of Russian producers. Despite an agreement giving De Beers exclusive rights to all Russian diamond exports, an estimated $1bn worth of Russian diamonds has leaked into western markets over the past eighteen months alone.

The new "memorandum of general principles" agreed last week between De Beers and the Russian finance ministry does not guarantee an end to this misbehaviour, but it makes such an outcome more likely.

As De Beers has often stressed, failure to gain this reassurance from a country responsible for one quarter of the world's rough diamonds would not necessarily have been the end of the cartel. But the company would have had drastically to lower its ambitions, by concentrating on the higher end of the market, which it could still control. As it is, the most durable cartel of recent history has lived to fight another day.

De Beers is an oddity because it has so far managed to overcome the two largest challenges to any cartel. First is the need to ensure that suppliers stick to their agreement to sell only through De Beers. Second is the fact that, as prices rise, other producers may come in and consumers may look for substitutes.

De Beers' advantage in dealing with the first problem is its sheer financial clout, relative to the size of the market. The rough-diamond market is worth only around $5bn a year. De Beers has deep pockets: it is currently holding more than $4.35bn worth of diamonds in CSO stocks to prevent world supply rising above demand.

The company's second advantage is that, uniquely among cartels, when it claims to be acting in the consumers' interest, it is not immediately obvious that this is untrue. After all, if the price of diamonds swung dramatically downwards, diamonds might lose their caché forever.

Mr Nicky Oppenheimer, the company's deputy chairman, has said that "unique among major raw materials, the gem diamond has no material use to material man". Yet this very uselessness is De Beers' strength. A diamond's price is not merely an indication of its value - it is its value. Critics say that prices would remain high, at least at the retail level, even without the cartel. But with stakes this high, it would not be surprising if after 60 years of doing things De Beers's way, no-one was quite prepared to risk a change.

Much too harsh

To those outside the accountancy profession, "academic" is not necessarily a term of abuse. But the epithet, hurled by the senior partner of Ernst & Young, one of the Big Six accounting firms, at the UK's Accounting Standards Board, reflects the impassioned divide in the profession about the future form of financial statements.

The Ernst & Young discussion paper, sent to several hundred finance directors, is primarily a response to the board's Statement of Principles last year, which sets out a blueprint for future development of accounting standards.

The paper accuses the board of trying, in a "stealthy" manner, to replace the traditional historical cost accounting with current cost accounting. Previous experiments with current cost accounting met with considerable resistance from business. The firm also criticises the proposals for being "theoretical to the point they are scarcely comprehensible by most accountants and other businessmen".

The tone of the paper is harsher than warranted. It is unfair to accuse the board of unworldliness; Sir David Tweedie, its chairman, has made clear its "preference" for a change could not be implemented without widespread support. It is also melodramatic to accuse the board of stealth, when its statement was a highly public attempt to stimulate debate. The board makes clear it wants evolution not revolution. However, the central question raised by the paper is entirely legitimate: would users of accounts be served best by a straightforward historical report on the past year, or should figures instead reflect current valuation? The firm argues strongly valuation "is the user's responsibility", and that current values, in anything but a supplementary role, can be highly misleading.

Ernst & Young has performed a public service by reminding everyone that the row has substance. The two approaches generate significant differences in the presentation of accounts, as it demonstrates in a lengthy list of examples. However, the paper glides over objections to its own case too quickly. For example, it distinguishes between investment assets, which it argues should be revalued, and operating assets, which it argues should not. In many companies, that distinction is far from clear-cut.

In reality, there is no easy answer. Different users of accounts - managers, investors, creditors, customers - have different needs. A purely historic record may be adequate, indeed preferable, for assessing management performance, while current cost accounts may give potential investors important information.

Whatever basis is employed, the primary concern of all users is that the numbers are reliable. It is unfair to accuse the ASB of forgetting that principle. Instead, it has done a creditable job in opening up an overdue debate.

Australia faces up to its future in Asia: from left, Paul Keating, John Howard, President Suharto and the Queen

When policies are not the issue

Australians go to the polls on Saturday after a campaign which has focused sharply on the prime minister, Paul Keating, writes **Nikki Tait**

The first television advertisements in Australia's federal election campaign were surprisingly blunt. In a quick-fire sequence of shots, a handful of "ordinary" Australians chatted about Mr Paul Keating, their controversial prime minister. Their final message was concise: "You don't have to like him, but you have to respect him."

His Labor party was hoping that the grudging approbation which Mr Keating usually commands in the opinion polls would outweigh reservations about his apparent aloofness and abrasive style. Four weeks later, and just five days short of Saturday's election, the focus is still on his record.

Labor has been in government for 13 years, and it would be natural to expect initiatives for change to come from the opposition coalition, made up of the conservative Liberal and National parties. But the coalition was mauled by the voters in the 1993 election when it tried offering the electorate a radically different agenda - one which was pro-business and pro-privatisation.

This time the opposition has decided to play down any policy differences with Labor. For Mr John Howard - the coalition leader who is having his second tilt at the prime minister's job - this is an unusual situation. As Mr Gerard Henderson, former coalition staffer-turned-commentator, put it recently: "Without question, in the 1980s, John Howard was a policy leader in Canberra, especially on such issues as financial deregulation, industrial relations reform, privatisation and the like."

The coalition decision to adopt a low profile has given Labour plenty of scope for attack: "If anyone tells you that John Howard has suddenly become a cuddly, small-L liberal who has seen the error of his reactionary ways, you can tell them I'm a Rastafarian," sniped Mr Keating.

But voters seem to have been left confused by the similar stances of the two sides. Although the coalition is traditionally perceived as more inclined to fiscal discipline than Labor, both camps have engaged in pork-barrel politics, promising rebates on healthcare charges. The coalition has also offered tax cuts for middle and low income families.

Even in industrial relations, the differences are of detail rather than substance. Both parties are espousing decentralised bargaining in the workplace, with a safety-net of top-up payments for low-paid workers. So at the end of a hard-fought campaign, many voters seem to be back where they were at the start: weighing up the record of their prime minister.

Mr Keating, a career politician and seasoned campaigner, continues to emphasise his efforts to improve the economy, promote reconciliation with aborigines and strengthen ties with Asian neighbours as the country seeks its own identity. He admits, however, his government has not generated the air of well-being that Australians have come to regard as their right.

"We are very much aware the great progress we have made in the last three years... has not translated automatically into material benefits, or a greater sense of security amongst many Australians," he said in his opening campaign speech. It is on the the economy that the government's record is arguably weakest. There is some irony given that it was Mr Keating who, as federal treasurer, was applauded for opening up Australia's protected economy to foreign competition, and for putting the final touches to deregulation of the banking sector. But ever since he toppled Mr Bob Hawke as Labor leader in 1991, the erstwhile darling of the business community has fallen out of favour.

"He's too often been willing to lose sight of the steady long-term plot. Since he became prime minister, there's been an apparent lack of interest in economic issues," says Mr Bill Shields, chief economist at Macquarie Bank.

This is not to say the economy has gone wildly off course. It has been growing for an unprecedented 17 quarters and growth is now comfortably over 3 per cent a year. But unemployment stands at 8.6 per cent, although the government has launched a costly programme to provide work experience and training for the long-term unemployed.

Much more perturbing for many business executives has been the belated attention paid to Australia's declining savings ratio and the slow pace of efforts to wean the country away from protectionism and make its industries more competitive.

Nowhere has criticism been more marked than over labour market reform. Within nine months of gaining office, the government passed legislation to accelerate the transition from a centralised wage-setting process to decentralised, enterprise-based bargaining. But it did so after long negotiations with the unions.

As a result, organised labour retained a large stake in the new process and secured concessions - making it easier, for example, for employees to bring cases for unfair dismissal. CRA, the large mining group which has since merged operationally with Britain's RTZ, has pushed the issue hardest. It wooed thousands of employees with fatter pay packets in exchange for abandoning collective bargaining rights and signing extremely flexible individual contracts. But the Industrial Relations Commission, the main arbitration body, has ruled that workers who continue to use collective bargaining should be paid the same as the rest. For some industrialists, the failure to introduce more radical reform of the labour market was a big disappointment. They maintain that still more flexibility - something promised by the coalition - is necessary if business is to match up internationally.

On constitutional matters, it is Mr Keating who has pushed forward the debate on whether Australia should become a republic and cut its constitutional ties to the British crown. A professed republican, Mr Keating proposed last June that a referendum on the subject be held in 1998 or 1999. During the current campaign, he has also said that Labor would start the process with a preliminary non-binding vote on whether Australians want an Australian as head of state.

Monarchists sometimes accuse him of using his position to manipulate the debate. However, no-one can fairly claim that Australians are being steamrollered with these two votes in prospect and the issue firmly on the election agenda. The coalition is promising only an ill-defined "people's convention" to discuss constitutional issues.

The attempts to seek reconciliation with aborigines is another issue bound up with Australia's search to define its national identity. These efforts have had a bumpy path, although it is questionable how much this will weigh in the minds of city-dwellers when they vote on March 2.

The government was voted in shortly after the High Court, Australia's highest judical authority, overturned the doctrine of *terra nullius* - the notion that Australia was uninhabited before European settlement in 1788. Instead, it said, native title, under certain circumstances, could exist. Turning the historic ruling into legislation, and then passing this through parliament was a political triumph, made doubly impressive given Labor's lack of a majority in the Senate, the upper house. But the legislation has not enjoyed easy implementation. Two years on, confusion still reigns over whether grants of pastoral leases in the past extinguish native title rights, for example.

However, it is in foreign policy that Mr Keating is likely to be judged as having made a lasting contribution. While he was by no means the first Australian prime minister to pay active attention to Asian neighbours, he has pursued his country's interests with rare assiduousness. There have been some bad patches. Relations with Malaysia were derailed two years ago by an incautious remark, and have only recently been rebuilt. The Asia-Pacific Economic Co-operation forum, the regional grouping which Australia has pushed, also had its ups and downs. But a warm relationship with Indonesia's President Suharto contributed to the first defence agreement between the two countries, and Australian businesses have increased involvement in Asian markets.

Mr Howard, with his campaign appearances largely restricted to the party faithful and radio talk shows, has done little to shake off the image of the "ordinary" family man who has lived in the same modest house his entire married life. He may wish he had fought the campaign not on Mr Keating's terms but on issues where the coalition could have an edge - the need for fiscal rectitude and a faster pace of economic reform.

· OBSERVER ·

On the job training

■ A new ringmaster takes the stage this week when Europe's leaders meet their Asian counterparts at the EU-Asia summit in Bangkok. Banharn Silpa-archa, Thailand's prime minister, is the man responsible for making sure the meeting does not degenerate into a slanging match about democracy, human rights and child labour.

Before becoming PM last year, Banharn's international experience was largely confined to ferrying his children to college in the US. Since then, however, he has impressed at the UN, Apec and especially at the recent Asean summit, which he also chaired.

Regional leaders are big fans of Banharn's ability to turn conflict into consensus. He has been well trained. At home he has to hold together a seven-party coalition, whose core party is itself split into three camps. He faces a daily barrage of criticism for getting either nothing, or the wrong things, done. Makes one wonder what John Major, Britain's PM, is complaining about.

No free lunch

■ Hope Alberto Fujimori, Peru's president, made good use of all that unexpected free time he had during his visit to the Brazilian capital Brasília yesterday.

First, the president of Brazil's Supreme Court, Sepúlveda Pertence, said he could not squeeze Fujimori into his diary. On the Monday after Carnival, most Brazilians have difficulty even finding their diaries, so the probable translation of the snub is that Pertence did not want to be photographed with a president who shut down his own supreme court in 1992.

Next, the president of Brazil's congress, José Sarney - also claiming the democratic high ground - said he was too busy catching up after the holiday, and farmed the Peruvian president off on an underling.

At least he got lunch - courtesy of the man who was presumably one of his more important dates, Fernando Henrique Cardoso the Brazilian president.

Turkic trends

■ A word to those currently doing business in Turkmenistan, or any of the Turkic-speaking republics in central Asia. If you want to impress your hosts, try dropping the name of Makhtumkuli.

This 18th century Sufi hero, who more or less enjoys the status of a Shakespeare or Goethe in the Turkish-speaking world, is beginning to reach a wider audience.

Last weekend, the Society of Friends of Makhtumkuli, whose president is none other than Turkmenistan's president Saparmurad Niyazov, met to celebrate the launch in London of a slim green volume entitled Songs from the Steppes of Central Asia. The English translation is partly the work of sci-fi writer Brian Aldiss, demonstrating an unexpected dimension to his talents.

Makhtumkuli's religious poems, written in Turkmen, using Arabic script, were banned by Soviet Russia, ever nervous of Islam's powers - and loyal readers took to hiding his books in wells or burying them.

But now Turkic culture is resurgent in the post-Soviet era. So how about a handy quote with which to impress before closing an important deal?

Oh to sport
Freely with women fair!
To feast and drink - enjoyment without mind.

Quackers

■ A court in eastern Japan has dealt a crushing blow to animal rights. It has just refused to allow a gaggle of geese to sue the local government.

The geese, a rare breed which migrate from Siberia to the shores of a serene lake in Ibaraki prefecture each winter, were apparently upset that the local governor had not allocated sufficient funds to create a welfare sanctuary for them. They had, through the intermediary of lawyers and conservationists of the featherless kind, filed a suit in the local court to force the governor to build the sanctuary so that they could continue to winter in peace, unmolested by the potential ravages of Japan's notoriously environment-unfriendly property developers.

But the local judge ruled the geese's application unlawful, on the grounds that the court could not "attest to their competence" under civil law.

There has been no response from the geese, but their lawyers are squawking mad.

Uplifting

■ Where better than Paris in early spring for a conference entitled "European lingerie days"? In mid March, some 400 underwear manufacturers and distributors from across the continent will gather for an entirely new sort of jolly - a two-day event dedicated to navel-gazing about their own market.

The tidings are good, bolstered by such vital statistics as a 10 per cent growth in bra purchases in France last year. So whose bright idea was all this? An outfit called Underwear Fashion International, which describes itself as "the professional support for the lingerie market". Touché.

The Financial Times

100 years ago

Defaulters to be "hammered"
Time flies, and we are reminded of the axiom by the mail from Constantinople, which informs us that a notice has been posted up in the Bourse of Galata informing all whom it may concern that the moratorium expires on the 2nd March, and that the regulations of the Bourse referring to defaulters will be applied to those who have not adjusted their differences on that date. It is to be feared that there will be one or two members of the Bourse who have not quite been able to pull themselves together during the period of grace, and consequently there may be some "hammerings", or the Galata equivalent of them.

50 years ago

Orange Free State goldfield
The handicaps to obtaining an adequate and true core intersection must be kept in mind. The diameter of the core generally is not more than two inches. Loss of gold is often considerable. Frequently even in deflection - a subsequent confirmatory operation possible to conduct with greater care than practicable with the original intersection - gold is lost through the effect of the grinding of the drill, end this effect is particularly marked where the reefs are relatively softer.

FINANCIAL TIMES
Tuesday February 27 1996

Asian airlines warn UK over airport noise limits

By Michael Skapinker, Aerospace Correspondent

Asian airlines have accused the UK government of caving in to environmental campaigners and have warned that attempts to lower noise levels at London airports could lead to diplomatic clashes with Asian governments.

The Orient Airlines Association said the UK Department of Transport's plans to reduce noise limits at London airports would have a severe impact on its members' operations. This is because Asian airlines flying to London use large, fully loaded Boeing 747 aircraft which could fall foul of the proposed noise limits.

The association, which represents 16 Asian airlines, said the UK government should stop pandering to anti-noise campaigners. The Department of Transport's proposals to lower noise limits for departing aircraft, set out in a consultation paper last October, were "an act of political appeasement", it said.

The transport department's consultation paper proposes lower noise limits for aircraft taking off from London's Heathrow, Gatwick and Stansted airports. The department has also begun a two-year study into noise limits of landing aircraft.

The government proposals come at a sensitive time for BAA, the group which owns the three airports and wants to build a fifth terminal at Heathrow.

The Orient Airlines Association said the noise problem at London's airports "is infinitesimal in size and getting smaller all the time". The reason for the reduction, the association said, was the introduction of more modern, quieter aircraft.

Airlines are required to introduce even quieter aircraft by 2002, which will reduce noise further. The association said the proposed noise limits could penalise even this new generation of large aircraft.

"It is unlikely that airlines will be content to suffer this situation without recourse to their respective governments, with the result that the issue will become a subject of international dispute," it said.

The association added that Concorde, operated out of London by British Airways, was exempt from noise restrictions.

"Any serious attempt to reduce noise pollution in the London area should encompass a ban on Concorde, but since this aircraft is now more a national icon than a means of cost-effective transport, this is almost certainly beyond the art of the possible," it said.

Paris aids corner store bakers in battle of the baguette

By Andrew Jack in Paris

French *boulongers* and the country's corner store culture scored a victory to savour over aggressive hypermarket rivals yesterday when the government announced tough regulations to counter "predatory pricing".

The battle of the baguette has symbolised the growing conflict between large retailers and corner store shopkeepers, who have complained that the bread sticks were sold as a loss-leader – sometimes at less than FFr1 each – by hypermarkets.

Mr Yves Galland, junior finance and foreign trade minister, announced draft legislation designed to clamp down on aggressive discounting and redress the balance of power which he said had shifted too far towards large retailers and away from suppliers and shopkeepers.

Mr Galland accused some retailers of selling a number of products at prices below their production costs, leading to a "pointless" destruction of competitors and jobs. He said some hypermarkets sold baguettes at one-sixth the price of *boulangers*.

Retailers found guilty of selling products below cost price face fines of up to FFr500,000 ($13,933). The regulations, likely to come into force next month, also broaden the definition of practices which are regarded as unfair, and increases the rights of small suppliers in their dealings with large retailers.

Embarrassingly for the government, not every *boulanger* is so convinced of the need for reform. Mr René Gérard Saint-Ouen, winner of the 1994 best baguette prize, who operates the "Au pain bien cuit" bakery in central Paris, said yesterday: "The hypermarkets are being used as a scapegoat. The price doesn't matter. It's quality that matters."

His "Baguette Presidentielle" sells at FFr7.50, nearly twice the price of many of his rivals' products, yet he says the number of his customers continues to grow. Since last year he has been supplying President Jacques Chirac with his daily bread at the nearby Elysée Palace.

France's 35,000 small bakers have fought back by trying to stress the quality of their production in the face of the frozen dough used to make "industrial" quality baguettes.

Predatory pricing, Page 2

Markets hit by weakness in US bonds

By Philip Coggan in London and Lisa Bransten in New York

Weakness in the US bond market hit financial markets round the world yesterday as investors reacted to the strength of the American economy and showed nervousness ahead of substantial Treasury bond issues this week.

The key 30-year Treasury bond, which fell a point on Friday, dropped nearly a further half point by mid-afternoon in New York. Investors viewed the economy as stronger than previously believed, with the Federal Reserve less likely to announce an imminent interest rate cut.

The poor performance of US bonds prompted another volatile session for shares. The Dow Jones Industrial Average dropped over 50 points, triggering restrictions on programme trading. By mid-afternoon, it was still 35.40 lower at 5,595.09.

The US stock market was also hit by reports that two influential investment strategists, Mr Bill Dodge of Dean Witter Reynolds and Mr Byron Wein of Morgan Stanley, had both reduced the equity portion of their recommended portfolios.

But the fear that a rebound in economic growth would bring an end to the recent round of interest rate cuts seemed to be hitting the markets. The yield on the two-year note, which was 4.79 per cent two weeks ago, signalling expectations of sharp cuts from the Fed Funds rate of 5½ per cent, had risen to 5.153 per cent in mid-afternoon trading.

European bonds followed the US market lower, with German government bonds falling a point and the 10-year benchmark UK gilt falling almost three-quarters of a point.

Murdoch steps up war of words with media rival Turner

By Nancy Dunne in Washington

Mr Rupert Murdoch, the American-Australian media magnate, yesterday took a swipe at one of his leading rivals, Mr Ted Turner, calling him a cultivator of dictators who had "sold out to the establishment in his declining years".

His comments are part of an intensifying row between the two media tycoons. They came in an address to the National Press Club in Washington at which Mr Murdoch also offered free television time to the main candidates in the presidential election.

Mr Turner, founder of the 24-hour Cable News Network, last week was quoted as attacking the allegedly sensationalist content of news shows running on Mr Murdoch's Fox News Network, calling him "a schlockmeister".

At one time Mr Murdoch had been interested in buying CNN, which instead is being purchased by Time Warner. Mr Turner has previously said of Mr Murdoch's plans to set up a rival news network: "We're going to squash Rupert like a bug."

Mr Murdoch hit back yesterday after listing his achievements, such as the purchase of National Football League broadcast rights in the US and three hours of children's educational programmes per week on his Fox network.

"We do, however, draw the line at professional wrestling and brown-nosing foreign dictators," he said. "You'll have to turn to one of Ted's channels to see that."

He went on to quote the 19th century British prime minister Benjamin Disraeli, who once said to a colleague in Parliament: "Honourable Sir, it's true that I am a low, mean snake. But you, sir, could walk beneath me wearing a top hat."

Mr Murdoch also announced a "modest" initiative to help cure "the cancer on our [political] system," which he saw as the high cost of campaigning in the US and its corrosive effect on democracy.

He proposed "a private and public sector study group to guide us toward a model that I believe would be more nearly like the British system – short campaigns, free television time and little money in the system."

He also said Fox would devote one hour of prime time to the leading presidential candidates, allowing them to make presentations without censorship. Each candidate would also be given 10 one-minute slots to present their positions "on each of 10 important issues as defined by the American people."

Japan may alter loan bail-out scheme

Continued from Page 1

each. It seems increasingly likely the commercial banks will now be asked to pay more towards the cost of disposing of these secondary losses.

Ministers refused to be drawn on possible details but banks may eventually have to write off the full amount themselves.

The government hopes a modification to the scheme may appease public anger, and facilitate parliamentary approval of the first-round bailout.

But opinion polls suggest more than two-thirds of the public are against the entire scheme, and opposition to it played a large part in the coalition parties' embarrassing near-defeat in a weekend election for the position of mayor of Kyoto.

Opposition parties have promised to continue their resistance to the plan.

THE LEX COLUMN

Thomson's legal eagle

Thomson's $3.4bn acquisition of West Publishing makes tremendous strategic sense, but the Canadian publishing group is certainly paying a stiff price. Combining West's database of US case law with Thomson's legal analysis should create a compelling package. Lawyers will be able to conduct their research through a single service, with commentary and archival source material cleverly cross-referenced. Reed Elsevier is already on the road to providing such integrated services following its $1.5bn purchase of Lexis-Nexis, West's main rival. If Thomson was not to fall behind, it had no option but to buy West.

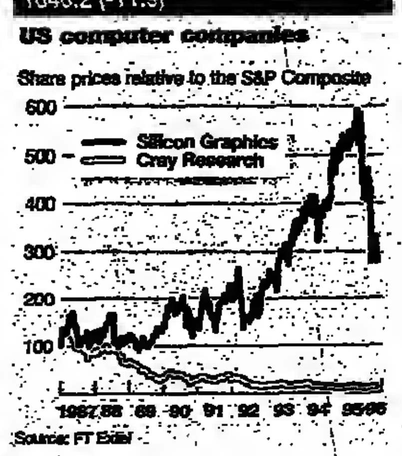
That said, the purchase price works out at four times historic sales, 16 times operating profits and 12 times operating cash flow. For a business increasing revenue at only 10 per cent a year, such multiples are very steep. Not only did Reed pay lower multiples for Lexis-Nexis; it was able to cut the effective purchase price by $300m by exploiting tax advantages not available to Thomson. Another difference between the two deals is that Reed has been able to boost Lexis-Nexis's margins from 11 per cent to 16 per cent in a year. With West enjoying 25 per cent margins, the scope for improving margins must be more limited.

Moreover, the purchase will dilute Thomson's earnings by around 5 per cent this year and increase its net debt to $5.8bn, roughly two-thirds of its market capitalisation. But such financial pain was probably unavoidable given it was over a strategic barrel.

FT-SE Eurotrack 200:
1646.2 (-11.9)

US computer companies

Share prices relative to the S&P Composite



Source: FT Extel

Italy

Traditionally, the Italian stock market has a good run in the lead-up to elections, but it is easy to see why this trend is being broken. Italy needs a government with a decisive mandate to tackle unpopular measures – notably reducing the rising debt. Under Italy's muddled electoral system, a conclusive vote is never likely. But this time round, the political stage has become particularly chaotic, following the creation of yet another political party by Mr Lamberto Dini, the supposedly technocratic prime minister.

At least economic fundamentals are improving, with inflation expected to fall to 4.5 per cent by the year end. This helped prompt an unenthusiastic rally in financial markets last week. But with the burden of a debt-to-GDP ratio of 125 per cent, responsible fiscal management remains critical. A hung parliament would mean little political appetite for debt reduction. Furthermore, an emphatic rightwing victory might not be much better, given its shift towards an anti-privatisation, pro-centralisation platform.

Fortunately, Mr Dini's latest political gamble means the most likely winner is a coalition formed around the centre-left of Italy's political spectrum. The left is committed to improving Italy's finances, and its better relations with the unions leaves it well placed to do so. But this coalition would stretch from reformed communists to former supporters of Mr Silvio Berlusconi's rightwing government. Such a diverse alliance will struggle to deliver on its promises.

Silicon Graphics/Cray Research

The linking of circuits between Silicon Graphics and Cray Research looks sensible, if defensive. Cray's supercomputers are world famous; but it is a one-product company in a shrinking market, beset by cut-throat competition. Three rival US supercomputer manufacturers have gone bankrupt in the past 12 months and Cray has lost money in two of the past four years. That explains why Silicon Graphics is now able to pick it up for $780m – which would scarcely buy two dozen of Cray's top-of-the-range machines.

Silicon Graphics itself is capitalised at $4.5bn and healthily profitable, due to its leadership in clever computer workstations – the dinosaurs in *Jurassic Park* were animated on its machines. But the group has disappointed the market twice in the past year with slower-than-expected earnings growth. Rivals such as Compaq and IBM are nibbling away at its market, by producing workstations based on Intel chips which have the same power as Silicon's specialist machines but are cheaper to make.

The joint product portfolio, ranging from a $10,000 workstation to a $5m supercomputer, should help balance market share losses in individual segments. While Cray will not return to profit until late 1996, its forward order book is at record levels. And there will be benefits from combining research and introducing Silicon's computer chips into Cray machines. Whether that will be enough to offset increasing competition from low-cost manufacturers remains to be seen.

HSBC

HSBC is still struggling to demonstrate the promised benefits of becoming a global bank. Its core Hong Kong operations continue to provide most of the growth, while Midland is doing no better than its British peers. Meanwhile the division which should have been a prime beneficiary of the Midland merger, investment banking, saw profits fall 19 per cent last year, despite the advantages of global presence and a vast capital base.

However, the integration of Midland is still ongoing after almost four years, and profits were held back by £100m of provisions for redundancies and surplus office space. And while HSBC has been slow to extract operational improvements – nowhere more so than in investment banking – at least the acquisition has proven supremely well timed in terms of Midland's profits cycle. Profits at First Direct, Midland's telephone banking subsidiary, are set to accelerate rapidly after a rapid build-up in customer accounts. And given HSBC's conservative capital ratios, it is well positioned to fund any acquisition opportunities in the UK and US, although the management seems in no hurry.

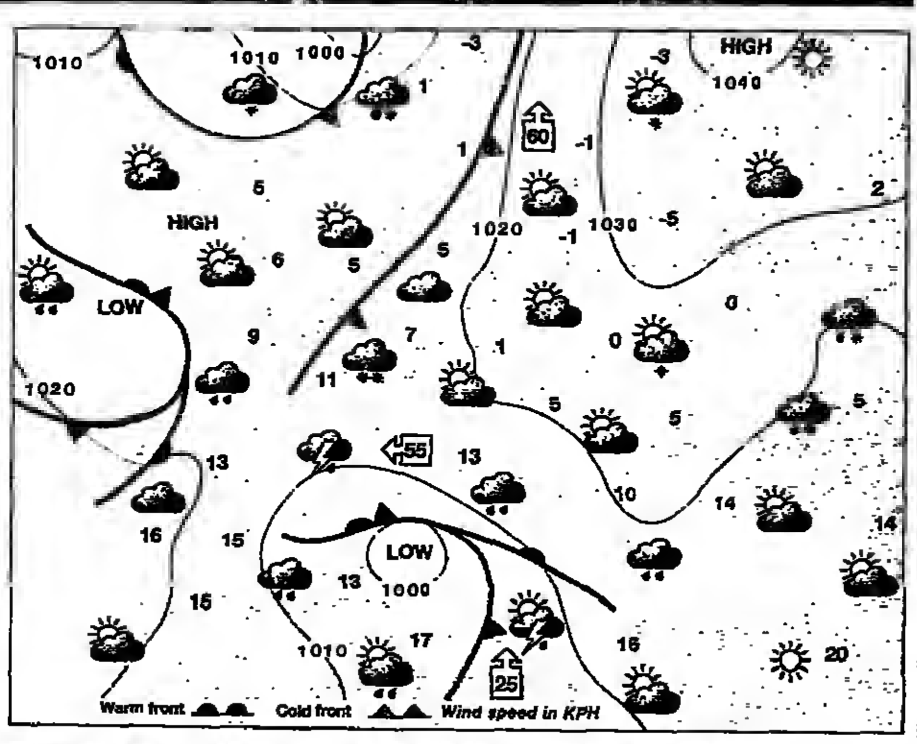
Nonetheless, Hong Kong will continue to power earnings growth. Recovery in the property market and significant regional infra-structural spending will underwrite loan growth, more than offsetting margin pressure in Hong Kong's increasingly competitive banking sector. HSBC's earnings growth is set to outpace its UK peers, and this is not reflected in a prospective price-earnings ratio of 10.3.

Additional Lex comment on Abbey National, Page 20

FT WEATHER GUIDE

Europe today

A depression north of Tunisia will cause unsettled and windy conditions over the western Mediterranean. Numerous showers, some with thunder, are expected for Spain's east coast, the French south coast, Corsica, Sicily and Malta. Another depression over the Atlantic will cause some rain in north-west Spain, northern Portugal and, later, in southern Ireland and south-west England. High pressure over north-western Russia will extend into the British Isles promoting dry conditions with sunny spells over the Benelux, western France and England. An old frontal zone moving east will still bring cloud and patches of rain to Germany and eastern France. Scotland and Norway will have snow showers. A strong gale is expected along the south-west coast of Norway.



Five-day forecast

Conditions will gradually improve in the western Mediterranean but will deteriorate in the eastern Mediterranean. Cold and unstable air from the polar region will move into Scandinavia on its way towards eastern, central and, eventually, south-eastern Europe. It will produce lower temperatures and wintry showers. High pressure over the British Isles will keep western Europe mainly fair and dry.

Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	sun	28
Accra	fair	32
Algiers	shower	14
Amsterdam	fair	8
Athens	fair	11
Atlanta	fair	26
B. Aires	sun	31
B.ham	fair	5
Bangkok	fair	36
Barcelona	shower	12
Beijing	sun	8
Belfast	fair	6
Belgrade	sun	5
Berlin	fair	4
Bermuda	fair	21
Bogota	cloudy	19
Bombay	sun	31
Brussels	fair	8
Budapest	sun	3
C.hagen	snow	2
Cairo	fair	19
Cape Town	sun	31
Caracas	fair	30
Cardiff	fair	5
Casablanca	shower	15
Chicago	rain	17
Cologne	rain	7
Dakar	sun	24
Dallas	cloudy	22
Delhi	fair	25
Dubai	sun	26
Dublin	fair	7
Dubrovnik	sun	13
Edinburgh	cloudy	7
Faro	fair	16
Frankfurt	rain	4
Geneva	rain	9
Gibraltar	fair	15
Glasgow	cloudy	7
Hamburg	cloudy	4
Helsinki	snow	0
Hong Kong	cloudy	15
Honolulu	fair	28
Istanbul	rain	7
Jakarta	shower	29
Jersey	fair	7
Karachi	sun	29
Kuwait	fair	24
L. Angeles	fair	12
Las Palmas	fair	19
Lima	fair	27
Lisbon	cloudy	15
London	fair	7
Lux.bourg	cloudy	7
Lyon	rain	10
Madeira	fair	17
Madrid	fair	10
Majorca	thund	14
Malta	thund	16
Manchester	fair	8
Manila	cloudy	30
Melbourne	cloudy	23
Mexico City	sun	24
Miami	fair	29
Milan	hazy	8
Montreal	fair	-2
Moscow	fair	-2
Munich	fair	4
Nairobi	fair	29
Naples	shower	13
Nassau	fair	26
New York	cloudy	12
Nice	shower	13
Nicosia	fair	17
Oslo	snow	4
Paris	fair	9
Perth	fair	37
Prague	fair	3
Rangoon	sun	33
Reykjavik	snow	-3
Rio	fair	30
Rome	fair	13
S. Frsco	cloudy	11
Seoul	sun	4
Singapore	fair	31
Stockholm	snow	3
Strasbourg	rain	7
Sydney	cloudy	26
Tangier	fair	13
Tel Aviv	rain	17
Tokyo	cloudy	9
Toronto	rain	3
Vancouver	sun	4
Venice	fair	9
Vienna	fair	0
Warsaw	fair	-2
Washington	rain	17
Wellington	fair	17
Winnipeg	fair	-10
Zurich	cloudy	5